Austria ... Sch. 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr.38	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... £L 6.00	Sweden ... Skr 8.50
Egypt ... E£1.00	Luxembourg ... LFr.38	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rin 4.25	Taiwan ... NT $95
France ... FFr. 6.00	Mexico ... Pes. 300	Tunisia ... Din 0.660
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr. 6.00	U.S.A. ... $1.50
India ... Rup. 15	Philippines ... Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,525 Wednesday January 16 1985 D 8523 B

Israeli pullback threatens new bloodbath, Page 4

World news | Business summary

Neves is elected President of Brazil

Sr Tancredo Neves, candidate of the opposition Democratic Alliance, was elected President of Brazil in a result that marks a decisive break with the country's military regime of the last 21 years.

Sr Neves, aged 74, won a 480 to 180 majority over Sr Paulo Maluf, the official candidate, in the electoral college.

Although the outcome of the indirect election had been clear for several months, the result in Brazil's first open presidential contest since 1960 was nevertheless a historic victory for the country's opposition parties. Page 16, Details; Page 4, Economic challenge and profile.

Space meeting

West Germany's Cabinet meets today to decide on the country's space policy amid signs that France might provoke a disagreement among West European nations over the correct strategy for joining the U.S. scheme to build a manned space station. Page 2

Belgian bomb

A Belgian Marxist group set off a car bomb outside a U.S. Army community centre near Nato headquarters in Brussels.

Lebanon blast

Israel's deputy commander in the western sector of south Lebanon was critically wounded in a bomb blast.

Four die in Salvador

Left-wing guerrillas in El Salvador killed four soldiers guarding a coffee plantation

U.S.–Mozambique link

The U.S. has agreed to train Mozambican military forces and supply $1m to the country in non-lethal military assistance, marking an improvement in relations between the two nations.

Shipyard protest

Spanish shipyard workers in Vigo, northern Spain, protesting against planned layoffs, occupied four West European consulates.

Cruise decision

Belgium will decide by tha end of March on fielding its share of Nato's new American cruise missiles, but will not necessarily begin immediate deployment. Page 3

Iranian hanged

A senior military commander of Iran's opposition Mujahedin organisation, accused of torturing and killing a number of people, was hanged at Tehran's Evin prison.

Fuel price riots

Demonstrators in Jamaica rioted, blocked roads and set fire to piles of tyres in protest against price increases for petrol and propane gas.

Attaché expelled

Spanish Government expelled the Soviet cultural attaché in Madrid for alleged espionage.

Senator arrested

U.S. Republican Senator Lowell Weicker was arrested in an anti-apartheid demonstration outside the South African embassy in Washington.

Ship trial delay

The trial of 25 people at Piraeus, Greece, charged with carrying out the world's biggest shipping fraud through the sinking of the Liberian-registered tanker Salem was adjourned for two months.

Cabinet dissolved

President Ershad of Bangladesh dissolved his Cabinet as the first step in his plan to restore democracy. Elections are set for April.

Dunlop in £142m refinance scheme

DUNLOP Holdings, the debt-ridden UK tyre and rubber products group, yesterday announced a £142m ($157m) refinancing programme after weeks of negotiations with 53 lending banks. Page 16

DOLLAR was mostly weaker in London, falling to DM 3.185 (DM 9.1935), FFr 9.7475 (FFr 9.775) and Y254.7 (Y255.45), but it improved to SwFr 2.68 (SwFr 2.678). On Bank of England figures, the dollar's trade-weighted index was unchanged at 146.7. In New York it closed at DM 3.1892, FFr 9.7725, SwFr 2.6875 and Y254.85. Page 37

STERLING was firmer in London, closing at $1.12, a rise of 90 points on the day. It also improved to DM 3.5675 (DM 3.55), FFr 10.93 (FFr 10.845), SwFr 3.0025 (SwFr 2.97) and Y285.25 (Y283.75). The pound's exchange index rose to 71.3 from 70.8. In New York it closed at $1.1185. Page 37

WALL STREET: The Dow Jones industrial average closed 3.75 down at 1,230.79. Section III

LONDON stock market saw a re-emergence of confidence and the FT Ordinary share index added 12.5 to 961.8. Gilts rallied strongly. Section III

AMSTERDAM AND ZURICH share values reached record levels as buyers returned after Monday's downturn. Section III

GOLD rose 75 cents on the London bullion market to finish at $302.75. It was also firmer in Zurich at $303.05. In New York, the Comex February settlement was $302.30. Page 36

COPPER prices rose to the highest level since February 1980 in London after a wave of heavy buying. Cash high-grade copper added £23.75 to £1,196.25 a tonne. Page 36

NIGERIA'S central bank made its first interest payment on some $250m in promissory notes issued to large creditors, as the first stage in rescheduling several billion dollars in overdue trade debts. Page 5

AUSTRALIA is to remove restrictions on the ability of foreign governments, their agencies and overseas banks (other than central banks) to invest in Australian capital markets. Page 20

WELLS FARGO, the U.S. bank, boosted final-quarter profits to $44.5m from $40.5m with 12-month earnings set at $169.3m against $154.9m. Other U.S. bank results. Page 17

CITICORP and two other leading U.S. banking groups, Manufacturers Hanover and Bankers Trust, reported sharply higher fourth-quarter net earnings. Page 17

KAISER Aluminium and Chemical, the third largest U.S. aluminium producer, was hit by low prices and lost $27.8m in the fourth quarter.

SECURITY PACIFIC increased 1984 profit to $291m compared with $264m.

CONTINENTAL AIRLINES of the U.S., which filed under Chapter 11 of the U.S. bankruptcy code in November, presented an outline reorganisation plan to creditors. Page 17

CIGA HOTELS, the luxury Italian chain, doubled its pre-tax profits in 1984 to L16bn ($8.2m). Page 18

VOLKSWAGEN is considering whether to take a capital stake in Seat to consolidate its already close co-operation with the Spanish state-owned car group. Page 17

CIBA-GEIGY group turnover rose 19 per cent to SwFr 17.48bn ($6.53bn) last year, which the chemical company attributes to higher sales. Page 18

SEITA, the French state tobacco company, made an operating loss of FFr 163m ($16.7m) last year despite a 10 per cent increase in turnover. Page 18

Sterling steadies and London shares recover

BY PHILIP STEPHENS IN LONDON AND PAUL TAYLOR IN NEW YORK

STERLING steadied against other leading currencies yesterday as London's financial markets recovered some of their poise after Monday's rise in base lending rates to 12 per cent.

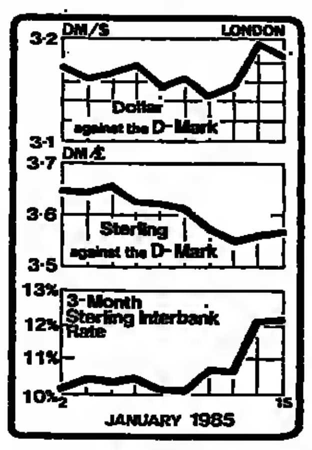
The pound closed in London at $1.1200, up 0.90 cents from Monday, while gains against most European currencies were also reflected in a 0.5-point rise in the sterling index to 71.3.

The pound's steadier performance was reflected in an easing of the key three-month interbank rate to just over 12 per cent from nearer 12½ per cent on Monday.

On the London Stock Exchange, share prices recouped some of their losses with the FT Ordinary share index advancing 12.5 points to 961.8. Government securities registered gains of around 1 point.

In the U.S., most large banks yesterday cut their prime lending rates by ¼ point to 10½ per cent, following the lead set on Monday by Manufacturers Hanover, the fourth largest U.S. banking group.

The prime rate cut, and a further slight decline in U.S. money market rates yesterday morning, helped to lift bond prices and spurred a flurry of activity in the Wall Street equity market in early trading. By 2.30pm the volume of shares traded on the New York Stock Exchange topped 131m with the Dow Jones industrial average showing a modest 3.86 point gain to 1,230.68. The Dow closed 3.75 down at 1,230.79.



In early foreign-exchange trading in New York, the dollar slipped a little but was still holding on to most of its Monday gains

In London, foreign exchange dealers said the higher UK borrowing costs, which make it more expensive to speculate against the pound, had restored some calm to currency markets.

Confidence in sterling was still fragile, however, and both the UK currency and interest rates remained vulnerable to the strength of the dollar and to any adverse news over oil prices.

The calmer atmosphere was greeted with some relief by the British Government, although the dollar's seemingly unstoppable rise remains a cause of anxiety.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who flies to Washington today for a meeting of finance ministers and central bankers of the G-5 group of leading industrial countries, is certain to join others in conveying that concern to the U.S. Administration.

Herr Gerhard Stoltenberg, West Germany's Finance Minister, yesterday ruled out, however, any joint action by the five countries to drive the U.S. dollar down by intervening on foreign-exchange markets.

Instead, West Germany, France, Britain and Japan are expected to renew their calls that the U.S. Administration take firm action to curb its budget deficit.

Yesterday the dollar fell slightly in London, losing 0.85 pfennigs to close at DM 3.1850.

Foreign-exchange dealers said, however, that the fall in U.S. prime rates had done little to undermine the underlying strength of the U.S. currency.

● The Soviet Union meanwhile set the pound's official rate against the rouble at below parity for the first time yesterday. The Soviet State Bank quoted sterling at 99.38 kopeks in its list of rates published in

Continued on Page 16

The case for an export bank, Page 5; Attack by Heath, Page 10; Money markets, Page 37; Lex, Page 16; Stock markets, Section III.

U.S. output report lifts optimism over economy

BY STEWART FLEMING IN WASHINGTON

INDUSTRIAL production in the U.S. rose by 0.6 per cent in December, the Federal Reserve Board reported yesterday, adding to the generally encouraging picture of the economy emerging from the statistical data for the end of 1984.

The report came as leading U.S. banks followed Manufacturers Hanover Trust in reducing their prime lending rate from 10¾ per cent to 10½ per cent, reinforcing the trend towards lower short-term interest rates in recent months. On Wall Street, there is speculation that further cuts in the prime rate may be forthcoming as banks seek to boost their business by pricing their loans more competitively.

Separately, Mr Paul Volcker, the Federal Reserve chairman, urged congressional leaders to support the central hank's moves in recent months to relax its monetary policy and encourage the sharp decline in interest rates since the summer. After a private meeting with Senate Republican's, who are attempting to draw up measures to reduce the projected 1986 federal budget deficit, Mr Volcker told reporters that cuts of around $50bn, if they were sustained in subsequent years, would aid the economy and Wall Street and would belp to lower U.S. interest rates.

Mr Sam Richardson, the Senate Finance Committee spokesman, said that the Senate Republicans were trying to assemble spending cuts totalling $54bn in 1986, $90bn in 1987 and $110bn in 1988.

As the new data on the economy were released yesterday one figure – the Commerce Department's report on retail sales in December – caught Wall Street investors by surprise. Instead of the 1 per cent rise in retail sales last month that most economists had been expecting, the Commerce Department said that sales declined 0.1 per cent, the first decline since August.

Many economists quickly dismissed the report as misleading. Mr Stephen Roach, senior economist at Morgan Stanley, described the figures as an "aberration," and even government economists were dubious about the reliability of the data.

Virtually the whole of the decline in December sales was accounted for by a setback in car sales. Excluding the automotive sector, retail sales in December rose a healthy 0.5 per cent over November

The decline in the dollar value of car sales reported by the Commerce Department conflicts directly with the reports from car manufacturers themselves, who say that unit sales rose at a seasonally adjusted annual rate of 12.5 per cent last month. In preparing the quarterly figures for real gross national product, the Government bases its figures on the unit sales data rather than the poll of car dealers, which is the basis for the retail sales report.

Recent gains in employment, rising trends in personal income and continuing high levels of consumer confidence, as well as the strength of non-automotive retail sales, all suggest that consumer spending is not declining. Economists will be seeking confirmation that their doubts about yesterday's Commerce Department report are justified this week when a broader report on personal income and consumption is released.

Wall Street reaction, Page 27; U.S. bank results, Page 17

Wang in talks with CIT-Alcatel

BY PAUL BETTS IN PARIS

CIT-ALCATEL, the French state-controlled telecommunications group, is negotiating technical collaboration with Wang, the U.S. computer group, which might pave the way to a broader industrial alliance between the two companies.

It is understood that the two companies are exploring the possibility of extending their collaboration to a joint venture and even ultimately to a financial agreement. However, the two parties denied last night that any financial association between the companies was under negotiation.

CIT-Alcatel and Wang are understood to have already signed a technical agreement to make their respective equipment compatible with each other. Wang signed a similar agreement last year with the French private Jeumont-Schneider group.

Wang, which has been seeking a link-up with a European telecommunications partner, is also exploring the possibility of forging other European alliances in West Germany and Italy. For Wang, a link-up with CIT-Alcatel would help to open the large French public-sector market. The only outsider to have successfully and significantly penetrated that market so far is IBM.

The collaboration with CIT-Alcatel would fit Wang's current strategy to broaden its market base, which is coming under increasing pressure from IBM. Thet company is now moving determinedly into the business computer and office automation market.

Siemens's bid for Allen-Bradley, Page 20

CEA, France's atomic energy commission, is to make selective investments in small U.S. high-technology companies as part of a move into venture capital operations by state organisations. Page 16

W. German banks oppose higher rates

By Jonathan Carr in Frankfurt

WEST GERMAN banks have warned the Bundesbank against raising its key interest rates, although the U.S. dollar is touching levels against the D-Mark not seen for more than a decade.

The warning comes before tomorrow's meeting of the central bank council, which is expected to consider at least raising the Lombard rate, and perhaps the discount rate, too.

The aim of any increase would be to staunch long-term capital outflows from West Germany, steady the D-Mark and help to cut imported inflation (caused by higher dollar-denominated prices).

West Germany's savings banks' association said yesterday, however, that such Bundesbank action (which might presage a general rise in domestic interest rates and weaken economic recovery) would be unsuitable.

In a separate statement, the federation of West German banks also said that even with the dollar's surge and rising import prices, the central bank should not change its policy course – for the present.

The Bundesbank has long viewed the relative weakness of the D-Mark with some equanimity, because the boost the exchange rate has given West German exports has virtually outweighed any disadvantages.

With the dollar now close to DM 3.20 (the highest level since early 1973), however, the fear of imported inflation is looming ever larger even though the rise in the overall cost of living is still only about 2 per cent at an annual rate.

Moreover, latest figures show there was a net outflow of long-term capital from West Germany in November of DM 2.2bn ($689m), compared with an inflow of DM 630m in November 1983.

While foreigners, encouraged by Bonn's abolition of coupon tax, have been investing quite heavily in D-Mark securities, Germans have been ploughing large sums into dollar investments with higher interest rates.

The Bundesbank is widely felt to be in a tricky position. A modest rise of, say 0.5 per cent – bringing the Lombard rate to 6 per cent and the discount rate to 5 per cent – might bave little effect on the exchange rate and capital flows.

On the other hand, any stronger rise might have the depressive effect on the economy that the banks fear. Hence it is believed in banking circles that the Bundesbank – after carefully weighing the pros and cons – may elect to do nothing.

Britain to sell remainder of BAe stake

BY MICHAEL DONNE AND ALEXANDER NICOLL IN LONDON

THE UK Government is to sell its remaining 48.43 per cent stake in British Aerospace (BAe) retained when the previously state-owned group was privatised in 1981. The move, to take place in the spring or early summer, will be accompanied by a big share issue by British Aerospace itself.

BAe shares were suspended yesterday pending the House of Commons announcement of the sale by Mr Norman Tebbit, the Trade and Industry Secretary.

At Monday nigbt's closing price of 368p, the 96.85m government shares would raise more than £356m ($398m). The size of BAe's new share issue has yet to be decided, but it will not exceed 50m new shares, equivalent to 25 per cent of the existing share capital. That would raise more than £180m at Monday's closing price.

The timing of the moves has been governed by the substantial delay in the planned privatisation of British Airways, originally due this spring and expected eventually to raise more than £1bn. The continuing U.S. litigation over the collapse of Laker Airways, in which BA is a key defendant, bas pushed that sale back to midsummer at tha earliest. As a result, a slot bas opened up for the BAe fund-raising.

The size of the planned share offering took London financial institutions by surprise, although the Government had been expected to reduce its BAe stake, and some stock market analysts bad even expected a rights issue.

There was also some bewilderment at the company's decision to announce a rights issue several months in advance and without giving details.

It was understood that BAe felt it sbould anticipate long-term funding needs with a simultaneous rights issue because the Government's sale would preclude any capital-raising exercise for a considerable period.

Reflecting the institution's uncertainties, market analysts said that BAe shares might open today some 20p down on the pre-suspension price.

The Government has been thinking for some time of selling its remaining 48.43 per cent of British Aerospace, subject to retaining only a "Golden Share" to prevent the company from falling into foreign ownership. In addition, Mr Tebbit told the Commons a 10 per cent limit would be imposed on the proportion of the government shares allocated to any individual or group.

BAe's articles of association will be changed to provide for this "Golden Share," at an extraordinary general meeting that will also be asked to approve the prospective issue of new BAe shares.

The cash raised by BAe from its own issue will be used to finance many new developments now planned across the entire spectrum of the company's aircraft, missiles and space business.

Those include the development of the new larger Series 300 version of the BAe 146 four-engined regional jet airliner, the development of the Advanced Turbo-prop (ATP) airliner, and further development of the Super 748 airliner, the Jetstream 31 and the BAe 125 executive jet.

The company also bas to finance further developments of such missiles as the Rapier, invest substantial sums in new communications and other satellite researcb, and pay for development of its new Hawk single-seat fighter, now being developed from the Hawk trainer.

It has in addition to pay for its sbare of the advanced-technology joint industry-Government Experimental Aircraft Programme (EAP), designed to produce a flying prototype of a new figbter that might contribute eventually to any European Experimental Fighter Aircraft (EFA) programme.

The combined investment in all those programmes, through the rest of the 1980s, is likely to amount to several bundred millions of pounds.

British Aerospace earned trading profits of £81.5m in the first balf of 1984, with pre-tax profits of £56.3m. At that time, Sir Austin Pearce, BAe chairman, said that, given reasonably stable political and employment conditions, "we shall maintain our good performance for the remainder of the year."

BAe's shares bad been out of favour until last summer's surprise merger approach from Thorn EMI, the electronics group, which was followed by abortive talks with General Electric Company. GEC has continued to be viewed in some quarters as a potential bidder for BAe.

Kleinwort Benson, BAe's merchant banking adviser, is fresh from its success distributing British Telecom shares, and plans to use that experience to help digestion of the BAe offering. The shares will probably be paid for in instalments.

Lex, Page 16; the future of British airports, Page 14

Sir Freddie Laker gave sworn testimony yesterday in Washington in preparation for the U.S. civil anti-trust suit against 11 airlines over the 1982 collapse of Laker Airways. Page 16

CONTENTS

EUROPEAN NEWS

Malta's leader shifts policy to ease economic problems

BY GODFREY GRIMA IN VALLETTA

MALTA'S NEW Prime Minister Dr Carmelo Mifsud Bonnici appears to have plumped for reconciliation as the most effective weapon with which to defeat the island's economic problems particularly unemployment and lack of industrial investments.

This is the impression gained by those who have dealt with him since he assumed office last month after Mr Dom Mintoff decided to step down as Prime Minister and leader of the ruling Labour Party.

Signs of n significant shift in attitudes were first noticed late in December when Dr Mifsud Bonnici launched his own personal diplomatic initiative to repair relations with Italy, Malta's closest ally at the EEC and a former guarantor of its defences.

Relations, after acrimonious disputes over countertrade and unutilised grants, were further soured by a Maltese ban on trade and a decision by Mr Mintoff to consider a defence treaty with Libya more worthy than with Italy. The wrangle put Malta's defence arrangements exclusively in the hands of Libya and the Soviet Union, despite the island's claimed neutrality.

Dr Mifsud Bonnici, who likes to keep a low profile, assured that no further public wrangling takes place by keeping proposals for new trade and defence arrangements secret. In the words of a close aide it was sufficiently prudent for the Italians to be made aware there had been changes in Malta. Dr Mifsud Bonnici's handling of the row proved successful enough for n new agreement to be possible by the end of this month.

Malta's Chamber of Commerce and the Federation of Industry, two stalwart representatives of private industry which had been virtually locked out from government economic planning, seem pleased by the Prime Minister's tilt towards conciliation.

The Chamber of Commerce had been threatened by legislation creating a rival Government-sponsored Chamber of Commerce and Production and the Federation of Industries had been frustrated by a hostile government attitude.

A meeting that took place with Chamber representatives earlier this month "opened the windows" on the possibility of private industry and the state dovetailing their efforts to promote a more productive investment climate.

Peter Bruce reports on West Germany's telephone travails

Cordless connection to chaos

HERR Christian Schwarz-Schilling has one of the broadest smiles in West German politics. As Bundespost (post and telecommunications) minister in Chancellor Helmut Kohl's centre-right coalition, and therefor responsible for dragging an only mildly enthralled country into the new world of information technology, he uses it a lot.

He did last November 26, when he launched the nation's cordless telephone network by making a call to the Government's chief spokesman, Herr Peter Boenisch, who also smiles a lot. For just an extra DM 38 (£10.80) a month, the local Press reported, you could have a telephone, code-named Sinus, and make calls up to 200 metres away from the normal telephone connection or extension.

The ministry, he said at the time, had taken quite a long time to introduce the system because it had wanted to make sure it got the technology right. The cheaper Far Eastern versions were easy to bug, he said. Predicting a boom in orders, he warned that "German manufacturers will have to make an extra effort to keep up with demand."

He promised an initial output of 30,000 units, with full production coming on stream this March, and contracted manufacture of the Sinus out to four local producers.

Something, however, has gone terribly wrong. Not only has Herr Schwarz-Schilling heen told that the introduction of the new telephones may have been illegal, they do not work properly either.

Herr Schwartz-Schilling: no smiles now for the cordless telephone.

The technical problem, if not the most important, must certainly be the most embarrassing, and not only for the minister, whose spokesmen have been nushed forward to promise new, improved versions by May.

Sinus has been bugged. The Post Ministry has admitted that cordless conversations can be overheard on transistor radios. It transpires that the two "buggable" models, produced by AEG and Staho, use Japanese technology.

A third model, made by Hagenuk and using only West German technology has been pronounced secure and orders from the producer have been raised from an initial 7,500 to 15,000. Siemens, the fourth contracted producer, has not yet nut its model on to the market hecause of problems with a U.S. designed component.

Far more serious for Herr Schwarz-Schilling, however, was the attack in a letter from the Bundespost users' association on Monday, which accused him of misusing the Bundespost monopoly hy only certifying certain companies to produce Sinus and then for imposing the "horrifying" extra rental of DM 38 a month.

The association's criticisms have followed in the wake of an even more daunting threat in the form of Herr Martin Bangemann, the Economics Minister

Herr Bangemann, according to Economics Ministry watchers, has been dying to take a shot at the Bundespost monopoly on a wide range of equipment, and discovered soon after the Sinus launch that he had been banded the perfect opportunity.

Strictly speaking, Herr Bangemann should have had the final say on the introduction of Sinus. He did not, and, it seems, will not until he wrings some monopoly concessions ont of Herr Schwarz-Schilling. Not only that, someone tipped off the European Commission's anti-trust officials and Herr Bangemann, recently returned to domestic from European politics, has warned that the Bundespost might even be taken to court by Brussels.

Bundespost officials held talks with the Commission in Brussels yesterday and appear to have been told in no uncertain terms that Herr Bangemann's warnings are well-founded.

Herr Schwarz - Schilling and Herr Bangemann are apparently due to meet in the next week or two to discuss ways out of the Sinus impasse and any smiles on that occasion will be tight indeed.

W. Germans to determine policy on space

BY PETER MARSH IN LONDON

WEST GERMANY'S Cabinet meets today to decide on the country's space policy amid signs that France could provoke a disagreement among West European nations over the correct strategy for joining the U.S. scheme to build n manned space station.

France could cause a split among the 11 member nations of the European Space Agency over its desire that the development of Hermes, a small manned spacecraft, should figure prominently in the agency's long-term programme.

Ministers from the 11 countries meet in Rome in a fortnight to ratify n West European space strategy for the next 10–15 years. According to proposals from ESA's Paris-based officials, the agency's annual budget would increase by about 50 per cent over the next five years from its current level of $700m. France and West Germany between them account for nearly half the agency's spending.

Much of the extra spending would be on Columbus, a European-built module that plugs into the U.S. space station. In n second new project, engineers would start work on Ariane-5, a more powerful version of the current generation of Ariane, Western Europe's satellite launcher.

France, however, would like ESA to give equal prominence to Hermes, a miniature version of the U.S. space shuttle which would be carried into orbit on top of the heavy-duty Ariane-5. The French space agency (CNES) thinks Hermes would be essential to act as a supply vehicle for the European component of the U.S. station.

A top CNES official confirmed yesterday that France wants development of Hermes to proceed in step with construction work on Columbus, in which West Germany is to play the leading role.

Work on Hermes would cost $1.3bn, according to CNES. France would put up the lion's share of the cash. The vehicle would enter operation around 1996, two years after the end of work on Ariane-5.

Other ESA members, led by West Germany, are less enthusiastic. They argue that decisions to develop Hermes can wait until later in the decade.

The countries think that, at least in the immediate period after the space station starts operation in 1992, Western Europe will find it sufficient to use the services of the U.S. space shuttle fleet.

The U.S. shuttles, of which four will be in service later this year, will ferry people and materials between the Earth and the orbiting base. Applications of the space station, which is due to cost the U.S. Government $8bn, include experiments in materials processing, biological studies and observations of the earth.

Officials in France think it imperative to make Western Europe independent of the U.S. in all important aspects of space technology. The country sees Hermes as a logical extension of work on Ariane, a conventional rocket that takes into orbit payloads such as communications satellites. France has contributed 70 per cent of the $750m Ariane has cost to develop over the past decade.

Without Hermes, Ariane will not be able to carry people. The small space aircraft would enter orbit powered by Ariane's expendable rocket engines. It would return to earth, after docking with a space station, using its own booster motors.

Apart from the different views on Hermes, the West European nations are generally agreed on most aspects of a long-term space policy. There is some unanimity on the need to join in the U.S. space station programme, on the grounds that this could give Western Europe experience in building large space structures that could be important early next century.

Such structures could be used, for instance, for space factories that turn out exotic substances in zero gravity or as n base for big networks of antennas for telecommunications.

According to figures from ESA officials, the projects to develop Columbus and the new version of Ariane would each cost $1.7bn over 10 years. France is prepared to contribute 58 per cent of the cost of Ariane 5. It will provide 15 per cent of the cash for Columbus.

West Germany's share of these programmes is likely to be about 20 per cent and 35 per cent respectively. The figures are likely to be ratified by the Cabinet meeting in Bonn today.

Other leading paymasters for Columbus will probably be Italy (25 per cent) and Britain (10–15 per cent). The other ESA countries – Spain, Sweden, Switzerland, Denmark, Eire, Belgium and the Netherlands – will put up the rest.

At the Rome meeting, ministers will probably agree to n two-year feasibility study for Columbus rather than commit themselves fully to joining in the U.S. space-station venture. In this study, to cost about $50m, engineers would try to quantify the benefits to Europe from work on the station.

During this preparation stage, ESA would also attempt to work out a binding legal agreement with the U.S. over the conditions of joining in the programme. This would, for instance, set out the share that Western Europe would be asked to contribute to maintenance costs for the station. These costs have yet to be worked out but could be very high – up to $2bn a year.

Norway to pay for seabed survey

BY FAY GJESTER IN OSLO

NORWAY WILL pay the NKr 12m ($1.3m) bill for seismic surveys this summer, aimed at finding out whether the seabed between Iceland and Jan Mayen Island is worth exploring for offshore oil and gas. Norway agreed to pay for the surveys in a deal with Iceland several years ago which settled the two countries' overlapping continental shelf claims. Jan Mayen Island is Norwegian.

As part of the agreement, Iceland will be entitled to n quarter of any oil or gas Norway may find on its side of the continental shelf boundary.

The survey programme, finalised in recent talks between the Icelandic Government and the Norwegian Petroleum Directorate, will take about n month.

The data collected will be offered for sale to interested oil companies. Their purchases could well yield more than the cost of the survey. Iceland will get part of any profit which the directorate may make.

If the initial seismic survey should show promising areas, more detailed surveys will be carried out. Exploration drilling is unlikely until late in the 1980s.

Commission offer threatens to dilute milk superlevy

BY IVO DAWNAY IN BRUSSELS

THE EEC's new Agriculture Commissioner, Mr Frans Andriessen, yesterday sought to clear away obstacles to the full application of measures, adopted by governments nearly a year ago, designed to curb the Community's excessive milk production.

In a gesture, aimed at thawing the icy relations on the issue between the Commission and agriculture ministers, was to offer a number of technical adjustments to the milk restraint regulation, long sought by several member states.

The unstated quid pro quo was that member states will lift their refusal to pay the levy on surplus production which was due last month for the first six months of the April-to-March marketing year.

But, as so often, the price of the compromise could he further dilution of the impact of the levy on the producers themselves. Parta of the technical adjustments, if approved by a special committee on agriculture, would mean that both the UK and France will, for the agricultural year ending in March, be exempt from paying any levy whatsoever, thereby deferring the full impact of the quota.

The significance of the superlevy issue goes way beyond the dairy farms and right to the core of the reform of the common agricultural policy (CAP). If the Ten's agreement on the levy fails to hold, attempts to contain other surplus products, such as wine, will also come unstuck.

It would also put in jeopardy the principle, also agreed at the annual farm price fixing in Brussels last March, that there can no longer he open-ended guarantees to support surplus products regardless of demand or cost.

At the beginning of 1984, milk prodnction looked set to hit 108m tonnes despite demand of only 87m, at a cost of Ecu 3.4bn (£2bn) or 21 per cent of total CAP expenditure. Disposal of every tonne of surplus butter or skimmed milk powder on world markets was set to cost the taxpayer about £1,000.

After egonised negotiations, the farm ministers agreed to restrain output to 99m tounes this yesr (still 14.5 per cent above demand) by means of a punitive tax or levy on every farmer exceeding his allotted quota.

But the scheme, aimed et reducing each producer's output hy an average 7 per cent, provoked a storm of protest across Europe and e marked weakening in the ministers' determination to see such a politically unpopular measure pushed through.

Mr Andriessen's peace moves are aimed at unblocking the impasse. They will allow:

- West Germany short-term tenant farmers to transfer their quotas;
- British and Belgian farmers more flexibility in allocating milk supplies between direct sales and marketing organisations;
- The use of an allernative reference year for assessing quota levels in special circumstances alongside concessions to specialist dairies in problem areas;
- Most exceptionally, for just ona year, the offsetting of overproducing regions against underproducers — a move dangerously close to the institution of national quotas.

But even if this means member states will now pay up, several questions remain. Italy, despite being the current president of the Council, has failed to take any serious action to introduce the system. Ireland is threatening to scupper any compromise if its demand for e 58,000-tonne increased quota is not met. Moreover, there are still no clear indications that the levy will be firmly paid and established by the next price fixing session in March.

On the positive side, however, there is now clear evidence that the levy is biting as prodnction in tbe first aix months alone has fallen by 4.2 per cent and the redndion should accelerate.

Delors passes his first test with European Parliament

BY PAUL CHEESERIGHT IN STRASBOURG

M JACQUES DELORS and his new European Commission bave passed their first test in the approach to what M Delors calls "achieving consensus and converegence of will, to acting and succeeding."

Yesterday the Parliament gave the new Commission and its political thrust, outlined by M Delors in a speech on Monday, its epprobation by 207 votes to 34, with 37 abstentions. But the numerical triumpb of M Delors looked bigger than it actually was: 156 members did not bother to vote.

Parliament itself had seen the appearance of M Delors, with his inaugural speech, as akin to the investiture of a new government—a constitutional nonsense, because Parliament can fire a Commission but has no role in its appointment.

But the event was significant in the sense that if the Commission is to prove more effective than its predecessor it needs the co-operation of the Parliament. And the two bodies are, by virtue of their multinational characteristics, natural allies against the national interests embodied i n the Council.

However, all three institutions need to co-operate in breaking the decision-making logjam in which the EEC finds itself. It is this that M Delors meant in his reference to consensus and convergence. But he has so far only sketched out in vague terms his strategy for achieving progress on the economic and social objectives be is setting for the Community.

During his inaugural speech be produced the accepted diagnosis. The institutions pass the buck to each other (as in the case of the budget—there is none for 1985 so far). The Community suffers from "the tit-for-tat approach" *of the Ten: too* mnch linkage, too many package deals.

M Delors' approach ls two-pronged: to identify improvements which can be made within the framework of existing rules and then decide what can be done beyond the Treaty of Rome. The Commissioo will make full use of its rights of initiative. It will ettempt to act as bonest broker in institutional quarrels.

Parliamentarians rather liked this. Speakers from differing political persuasions in yesterday's debate were all anxious that the Commission should play a more independent role.

But M Delors' speech was carefully couched to give something to everybody. When the debate took place, the main thrust was not questioned, only the embasis differed eccording to ldeological background.

BRITISH Conservative MEPs have stepped np their pressure to bring sterling into the European monetary system. Sir Henry Plumb, their leader, argued in the European Parliament yesterday that the effects of the recent fall in sterling would have been less acute had it been in the EMS.

M Jacqus Delors, the new president of the Commission, said that if sterling took part, the strength of the system would be bolstered. It would be a milestone in the history of the Community, he suggested, at a time wben people were asking what the EEC conld achieve. The bargaining position of the EEC vis a vis the U.S. and Japan would be strengthened by tha presence of sterling. The zone af monetary co-operation in Europe would be extended, he added.

The problem rather for M Delors was not to convince Parliament, but to devise and publicise ways of making the EEC work so thet it is credible to those wbo live in lt and plays a role appropriate to its size in the world.

It was ln that context thet be saw the possibility of eliminating all barriers to trade and movement in eight years. But be also linked credibility to a resolve to do eway with massive unemployment.

The priority for M Delors is to create economic, technological, financial and monetary strength. But he was very careful not to try to secure the support of tbe Left and to demonstrate his continuing Socialist credentials by stressing that efficiency bas to be balanced by justice.

So that, in a suggestion which will be unpopular with the Confederation of British Industry and other employers organisations, he called for European collective bargaining agreements. They would be, he sald, "a spur to initiate, not a source of paralysing uniformity." This ls all part of what he sees as "an economic and social area" — a concept wbicb sees the Ten as moving closer together so that there ls greater readiness and ease in undertaking, for example, jolnt researcb efforts, and joint industrial efforts hased on common standards to promote innovation.

The EEC bas already started this with the Esprit programme for information technology and in a differeot way, with a joint telecommunications approach. It seems likely that the Delors Commission will seek more industrial programmes blending EEC and private sector mooey.

All of tbis ls in ltself a pusb to barmonisation, to the fusion of ten markets into one.

He was against accompanying efforts to make progress io the industrial and wider monetary field, with any dismantling policy — a ritual defence of the CAP wbich does not deny the need for further reforms.

On the budgetary future of the Community, be made lt clear that, in spite of the agreed increase in the EEC's budget ceiling, stil more cash would be needed.

"In certain cases would not an extra ten Ecus in the Community budget have a greater mnitiplier effect than an extra Ecu in the bndget of each of the ten member states?" be asked. Behind that is the thought wbich has animated successive Commissions and which provided the starting polnt for tbe Community itself: that collective ection in meny areas is more effective than separate netional policies.

New Caledonia leaps from the footnotes into the headlines

BY DAVID HOUSEGO IN PARIS

NEW CALEDONIA has remained a footnote in French press coverage of world events for most of its 130-year history under the rule of France. Few Frenchmeo have known exactly where the tiny territory in the South Pacific is situated and fewer still have visited lt.

But benign neglect was only possible while accompanied by tranquility. This was rudely shettered when the llrst outbreak of violence on the islands in the autumn flashed a waroing to France. The indigenous Melanesiao (Kanak) populetion was clamouring for Independence a lot faster than the Frencb Soclalist Government, its right-wing predecessor or the European seftlers who account for 40 per cent of tbe 145,000 population, bad enticipated.

It bas been even more rudely shattered by the events of the past few days which heve seen riotiog ln the cepital Noumea, the killing of one of the indenendence leaders and the proclamation of a state of emergency.

The tempereture was raised further yesterday by the accusation by Jean - Marie Tjibaou, the more moderate of the separatist leaders, that M Eloi Machoro—killed by a bullet fired by e member of France's crack anti-terrorist squad—was "murdered" witb the agreement of M Edgar Pisani, the government's High Commissioner on the island.

M Tjibaou said tbat M Pisani's proposals, announced e week ago to grant the territory iodependence ln association with France had been jeopardised by tbe fact they stemmed from a man wbose "hands bore the smell of blood."

The politically explosive charge for President Mitterrand's Socialist edministration that M Machoro's death may not have heen an eccident, and did not displease the Frencb authorities who wanted to be rid of a difficult extremist, was supported yesterday by the newspaper, Liberetion.

Accusations like that stir memoriea of the Algerian war —the last colonial conflict to cest e shadow over French politics.

Comparisons with Algeria still seem far fetched. But they hava been growing. The right-wing daily Le Quotidieo yesterday recalled that tbe Algerian wer bad brought about the collapse of the Fourth Republic and the returo of Gen de Geulle. Le Monde also carried a report from Algeria yesterday quoting Algerian press as saying: "History is repeating itself. The same words. The same deeds. . . ."

For M Mitterrand the damaging aspect of the disorder in an outiylng territory is that it again reflects badly on the competence of bis government.

For the opposition, the Goveroment's difficulties in New Caledonia are providing fresh ammunition. After denouncing the Piseni proposals, the neo-Gaullist RPR, the lergest opposition party whicb also has a majority among European settlers in the territory, is calling for ell-party talks on the issue and for M Mitterrand to take charge of lt bimself.

M Mitterrand will have another chance to explain his views tonigbt in a televislon broadcast on domestic politics and the economy. Bnt the flare-up of passlons in the territory bas further narrowed his room for manoeuvre.

Belgian cruise decision expected by end of March

BY REGINALD DALE IN WASHINGTON

BELGIUM WILL make a decision by the end of March on deploying its share of Nato's new American cruise missiles, bot will not necessarily begin immediate deployment. That appeared to be the position yesterday, following a visit to Washington by Mr Wilfried Martens, the Belgian Prime iMnister, which left considerable confusion as to his precise intentions.

Mr Martens denied telling Flemish television on Monday night that his Government had decided against deployment in March, when the first of the country'a 48 missiles are due to arrive. He said that no decision would be taken until further consultations had been held with his country's Nato allies.

Belgian officials also denied that Mr Martens had suggested that deployment might not begin until 1987. Mr Martens said yesterday that all the missiles would be in place by 1987, the date the deployment is due to be completed, and that only the starting date was in question.

It seems unlikely, however, that deployment will begin in March, given that Mr Martens said that the Government'a decision at *the* end *of* that month would then have to be submitted to Parliament, where it will face tough opposition.

In Washington, President Ronald Reagan pressed Mr Martens strongly to go ahead with the deployment on time, so as to strengthen the U.S. hand in the new round of arms talks with Moscow agreed in Geneva last month. The U.S. belieyes that the continuing Neto deployment, which started at the end of 1983, has been instrumental in bringing the Soviet Union back to the negotiating table.

If Belgium delays its deployment, it will be the second of the five "basing countries" to do so. The Netherlands has decided to postpone deployment until November and make it dependent on the number of SS-20 intermediate range missiles fielded hy the Soviet Union.

Britain, West Germany and Italy are all proceeding with their scheduled deployments, hut the U.S. is afraid that Nato solidarity will be jeopardised jf the two smaller countries fail to keep their end of the bargain. Yesterday, Mr Martens said that Belgium would deploy "if there is no agreement in talks between the U.S. and the Soviet Union."

Our Foreign Staff adds: With a general election due in Belgium by the end of the year Mr Maitens is extremely sensitive to public opinion which, according to the latest polls, shows a majority in favour of postponing or cancelling deployment of the missiles. Mr Marten's Christian Socialist Party is *under particular pressure* in Flanders where the Socialist Party has apparently been gaining support on the issue.

Soviet envoys in London and Paris have informed the British and French governments that they expect British and French nuclear forces to be "taken account of" in any balanced arms control agreement negotiated with the U.S.

French jobless total rises by 13.4%

By Our Paris Correspondent

FRENCH unemployment rose by 13.4 per cent last year on a seasonally-adjusted basis to 2.48m, the Ministry of Labour announced yesterday.

It was the largest increase since the Socialists came to power ln 1981 but broadly in line with official expectetious since industrial restructuring was pushed more rapidly forward at th e beginning of last year.

Tbe sharp rise, bowever, has brought the Government under ettack from within the Socialist and Communist parties and strongly contributed to its loss of popularity

President Francois Mitterrand will be questioned on this problem in his television broadcast tonight

The 13.4 per cent growth in unemployment last year compares with a 4.5 per cent increase in 1983 and a 5.2 per cent rise in 1982—years in which the government pursued an active policy of holding down the number of jobless. The Increase last year, bowever, was well below the 23.6 per cent recorded in 1981.

The official figures show that notwithstanding the government's attempts to help the young, 1.1m persons or 41 per cent of those unemployed are under 25.

Though the pace of unemployment sharply increased over the year, the rise was concentrated in the first half. The number of unemployed rose by 205,000 in the first six months as compared with 76,000 in the aecond balf.

OVERSEAS NEWS

Israel's monthly inflation rate slows sharply

BY DAVID LENNON IN TEL AVIV

ISRAEL'S record-breaking inflation slowed sharply at the end of the year, as a result of the package deal curbing prices and wages, which was implemented in early November.

Inflation in 1984 was 444.9 per cent, more than double the 190 per cent figure of 1983. In December, the monthly rate was down to 3.7 per cent, compared with the monthly rate of more than 20 per cent which had prevailed in the late summer.

The major task now facing the Government is to win the agreement of the unions and employers to a new voluntary package deal, to replace the current three-month agreement which expires at the beginning of February.

The fall in the inflation rate is welcome news for the Government, which is fighting hard to tackle the country's severe economic problems.

These include a large balance-of-payments deficit, falling foreign currency reserves, and a foreign debt which reached $23.8bn (£21.6bn) in the first half.

A major improvement also occurred in the foreign trade balance in 1984. The deficit dropped by almost $1bn. to $2.3bn. This improvement is the result of a 13 per cent increase in exports, and a 4 per cent decrease in civilian imports.

The current-account balance-of-payments deficit improved much less, falling by only $250m to $4.8bn because debt servicing and military imports both increased during the year.

The sharp fall in the foreign currency reserves, which set alarm bells ringing in the autumn, slowed in December. At year's end, the reserves stood at $2.6bn after declining by $400m in November and $200m in December.

Initial national accounts estimates for 1984 indicate a 6 per cent drop in private consumption and no change in the level of civilian public consumption.

The contraction of the domestic sector accounts for an increase in the rate of unemployment. In the January-September period, unemployment was 5.5 per cent, compared to 4.2 per cent in the same period in 1983.

Indicators for the last quarter of 1984 suggest a further rise in unemployment rates due to an appreciable restraint in public expenditure.

Against this background, real wages appear to have been falling. Real wages in the business sector at the end of 1984 have dropped back to their 1982 level.

THE ISREALI Government is preparing a list of companies, public and private, which need overseas capital to facilitate their expansion or tide them over until they return to profitability.

Mr Gad Yo'acobi, the Minister of the Economy, who is visiting the U.S., says the intention is to canvas investors abroad, both Jewish and others.

The minister admits that the economic situation within Israel is not very appealing to foreign investors. But he believes the Government is on path to creating a favourable atmosphere.

Among the companies are more than 100 government-owned groups, many of which are in severe financial straits.

The dramatic reduction in inflation at the year's end, the improvement in the balance of trade and the fall in real wages are among elements which the minister points to as indicating that the time is ripe for foreigners to invest in Israel.

Richard Johns explains why further sectarian violence may break out in the South

Israeli pullback threatens Lebanon bloodbath

LEBANON has called ceaselessly for the unconditional liberation of its territory. But Israel's decision to implement the first stage of a unilateral withdrawal from the South has aroused uneasy apprehension rather than unmitigated joy in Beirut.

The Government is now faced with the task of filling a volatile, explosive vacuum. If it does not do so, the immediate prospect is bloody strife of the kind that erupted between Druze and Maronite Christians, resulting in 600 deaths, when Israeli troops left the Chouf mountains in September, 1983.

In the longer term the pull-out could wreck fragile chances of a political reconciliation in a country now in its tenth year of conflict and even lead to the partition of the fragmented state.

If no force were in control south of the Awali River, the most horrifying likelihood would be the descent of Druze militiamen from the Iqlim al Kharroub hills, intent on massacring Christians in the Maronite villages. The Christians in turn, could attack the Palestinian refugee camps to pay off old scores.

The Shiite Moslems, who are the predominant sectarian power on the seaboard, would be quick to assert their authority, and, at the very least, a bloody fate would await actual or suspected Israeli collaborators.

Under the withdrawal plan the area around the city of Sidon will be evacuated in five weeks' time. Here, Israeli occupying forces have been most vulnerable to resistance from the bitterly hostile Shiite population.

Under the second phase, troops would abandon the positions in the Bekaa Valley where they are in rifle range of the Syrian Army. The third phase would complete the evacuation of territory invaded in May 1982. Jerusalem is insisting that a buffer zone six to 12 miles wide, along the Lebanon-Israel border must be set in place. It would be policed by the Israeli surrogate force, the South Lebanon Army, and open to Israeli intervention.

Implementation of the later phases will be subject to separate Cabinet decisions. Given the 16—6 split in Monday's vote and the opposition of hardline elements in the Likud Party who are dissatisfied with the lack of guaranteed security for Israel's Northern settlements, it is doubtful whether yesterday's assurance by Mr Shimon Peres, Israel's Prime Minister, of a complete evacuation by the summer will be fulfilled.

He and his colleagues may hope that the Lebanese Government and Syria, with its effective power of veto and hidden presence in the talks on withdrawal, might yet agree to the Israeli terms. But they were

consistently rejected during the negotiations in the border village of Nakoura which started in November and finally broke down in the 12th round on January 7.

Israel never wavered in its demand that Unifil, the optimistically-termed United Nations "interim" peace-keeping force in South Lebanon established as long ago as 1978, should be expanded and its role enlarged to cover the whole area between the Awali and Litani Rivers.

Mr Rashid Karami's Lebanese Government of National Unity has been prepared to contemplate and discuss a wider deployment of UN forces, but has demanded that Israel withdraws unconditionally and commits itself to a timetable.

The Lebanese Government wants its Army, albeit with UN assistance, to take prime responsibility for asserting the fragmented state's authority over the whole of the region. It sees an enclave controlled by the South Lebanon Army under Col Antoine Lahad as a breach of sovereignty.

Lebanese factions, divided as they are, are virtually united in seeing the need for liberation of the South and the assertion of full Lebanese authority there, not only as an end in itself but as a condition for political reconciliation.

At the same time the ability of the Lebanese Government to assert its sovereignty and ensure the security of the border region has to be viewed with deep scepticism. "It is the most incoherent government, if you can call it a Government, that exists," Mr Peres commented on Monday.

The motivation of the Druze, whose militants are not under Mr Jumblatt's full control, and their clear wish for a larger degree of autonomy than may be compatible with a unitary state, will remain a constant critical factor in the future equation. So, too, will Israel's capacity to play off this community against the Christian Maronites and to interfere in Lebanon through them both.

Meanwhile, Damascus almost certainly does not want any agreement on withdrawal which would leave Israel with permanent gains from its invasion, while many in the Israel political and military establishment might prefer to see Lebanon left permanently fragmented or even formally partioned.

The wider context is murky but the immediate challenge is clear. Mr Yitzak Rabin, Israel's Minister of Defence, has promised to keep both the Lebanese Government and the UN informed of Israel's moves so that "it is possible to organise the implementation of the first stage in an appropriate manner without causing riots, massacres and disorder."

Yesterday he was consulting Mr Brian Urquhart, the UN Assistant Secretary-General and expert on peace-keeping. Whatever happens, U.N. forces will probably be required as far north as the Awali River, because the reconstituted 20,000-man Lebanese Army is ineffective.

Unifil, a force of about 5,700 soldiers and administrators from ten countries is at present confined south of the River Litani and any new responsibility in evacuated territory would require a new mandate from the UN Security Council.

Contributions to increase its manpower could prove difficult to obtain anyway, and perhaps impossible at short notice. The Israeli withdrawal deadline of five weeks' time is a very short period in such an unstable country.

Bangladesh election set for April

Bangladesh's martial-law Government yesterday announced that parliamentary elections, the first since 1979, would be held on April 6, AP reports from Dhaka. The election would be the third since the nation was born in 1971. President Mohammad Ershad postponed the poll set for December 8 to avoid a confrontation with opposition parties which have said they would boycott elections held under martial law.

Smallest opposition

India's new Parliament opened yesterday with the smallest opposition presence in the country's modern history, but Prime Minister Rajiv Gandhi promised he would not force his will on the nation, AP reports from New Delhi. Mr Gandhi said: "Democratic ideals will never be sacrificed. We cannot force or suppress anything."

Row over fishermen

In another move that could exacerbate the strained relations between India and Sri Lanka, India has asked its southern neighbour to release 17 Indian trawler skippers facing charges of poaching, Mervyn de Silva writes from Colombo. The demand was made when Sri Lankan officials in Delhi sought the release of a naval patrol boat and its crew held in Madras.

Nkomo promises fight

Mr Joshua Nkomo, the Zimbabwean opposition leader, yesterday said he would actively contest the forthcoming general elections in spite of the large-scale demonstrations against him by government supporters, Tony Hawkins reports from Harare. Mr Nkomo said his car had recently been stoned and shot at.

Chinese output up

China's value of industrial output last year rose 13.6 per cent to a record 700bn yuan ($250bn), according to the Sstate Statistical Bureau reported by AP in Peking. The Bureau said growth was balanced with light industry up 13.4 per cent and a 13.8 per cent increase for heavy industry.

Nakasone opens visit to Australia with pledge over imports

BY MICHAEL THOMPSON-NOEL IN SYDNEY

Japan's Prime Minister, yesterday sought to cement relations with Australia by saying that his country would strive to maintain imports of Australian coal, beef, bauxite and iron ore at current levels. His pledge, at the start of a three-day visit, came despite pressure from the U.S. and Europe to open up the Japanese market at Australia's expense.

He went to great pains on his arrival to emphasise his personal friendship with Mr Bob Hawke, Australia's Prime Minister.

During his visit, Mr Nakasone will discuss disarmament and political developments in the Pacific as well as trade matters.

Two-way trade between the two countries in 1983-84 was worth almost A$12bn (£8.6bn), although Australia's traditional trade surplus with Japan is in danger of disappearing.

Mr Hawke greeted Mr Nakasone's assurances on trade by saying Australia would be a competitive, reliable supplier of energy and commodity products.

The specific nature of Mr Nakasone's promises on trade cheered officials in Canberra, who regarded them as firmer than previous commitments.

In talks yesterday, Mr Hawke and Mr Nakasone were joined by their respective foreign ministers, Mr Bill Hayden and Mr Shintaro Abe.

Both leaders welcomed the outcome of the recent U.S.-Soviet arms controls preliminaries in Geneva, and agreed to co-operate in pressing the superpowers towards fullscale disarmament.

Mr Nakasone assured the Australian Prime Minister that Japan would respect the feelings of other countries in the Pacific on the vexed issue of proposed Japanese dumping of nuclear waste at sea.

At a dinner in Canberra last night, Mr Nakasone told Mr Hawke: "Because of our first name relationship, we have been able to discuss matters with great cordiality and friendship."

He added that Australia was "well on the way to achieving full status as a prosperous and important member of the Asia-Pacific region."

Gulf states bring home $25bn to fund deficits

BY MARY FRINGS IN BAHRAIN

DESPITE CUTBACKS in Government spending, the six Gulf Co-operation Council (GCC) states were forced to repatriate some U.S.$25bn of foreign assets to finance their budget deficits last year, according to United Gulf Bank economist, Dr Henry Azzam.

The drawdown amounted to 12½ per cent of an estimated foreign assets total of $200bn.

At the same time, the combined current account deficits of Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Oman and Bahrain are estimated to have declined from $5.7bn in 1983 to $3.3bn in 1984. This was because these countries had reduced imports and public spending programmes and because the strong dollar in which oil is priced, had improved their terms of trade with Europe and Japan.

● Bahrain, the smallest and poorest of the Gulf oil producers, is likely to suspend its exploration programme for the next two years and concentrate on rejuvenating its 50-year-old onshore producing field.

After spending more than $20m on a series of on- and offshore seismic surveys completed in mid-1984, the Bahrain National Oil Company (Banoco) is recommending to the Cabinet that funds earmarked for exploratory drilling in 1985-86 should be directed towards arresting the decline of onshore production.

An extensive well overhaul programme in 1984 succeeded in maintaining the offtake at the previous year's level of 41,500 barrels a day after six or seven years of continuous decline.

It is hoped that enhanced recovery techniques and further overhauls will achieve similar results this year.

AMERICAN NEWS

Minister dismisses Union Carbide offer to replace plant

BY JOHN ELLIOTT IN BHOPAL

UNION CARBIDE'S offer to set up a new factory in Bhopal to replace its pesticides plant with production of another product was last night dismissed as "out of the question" by Mr Arjun Singh, Chief Minister of the central Indian state of Madhya Pradesh of which Bhopal is the capital.

Mr Singh said in an interview, "I do not think the people here would accept it. Maybe, in a few years, a totally innocuous thing may be considered. But now it is out of the question."

Feelings are running high among the people of Bhopal where more than 2,000 died last month after a gas leak at the Union Carbide factory. There has been a surge of industrial and political demonstrations demanding greater relief aid and compensation.

There is still widespread illness, with hundreds of people reporting for continued medical treatment for respiratory and eye ailments. Many are suffering relapses having recovered from respiratory problems a few weeks ago. This is causing concern among medical experts who are unsure what treatment to prescribe. Many people are telling doctors they are depressed and unable to sustain energy to do normal work.

Mr Singh's remarks were the first official Indian response to a suggestion made in the U.S. last week by Mr Warren Anderson, chairman of Union Carbide.

The company's Bhopal pesticides plant was shut by the Government of Madhya Pradesh after the gas leak. Mr Anderson, who was arrested for a few hours when he visited Bhopal after the accident, offered last week to build a new factory making different products, to employ the pesticides plant's 650 workers.

Mr Singh stressed that no formal answer could be given until the company had applied to the Government of India for an industrial licence. But, he said, "I am certainly not in favour."

Dr R. K. Bisarya, Mayor of Bhopal said, however, he personally thought it was "a good idea if they want to do something – not a pesticides plant but maybe one of their battery factories." Union Carbide makes batteries in India.

Dr Bisarya said, "we are not against Union Carbide – they have been a good employer and we would welcome them to do something."

Mr Singh, however, who has much more influence than the mayor over deciding the issue, said later: "Sometimes things that are good are not desirable."

The continued medical problems are causing fresh concern in the city and are making the authorities realise they have to plan for long-term health services.

A conference of doctors from various parts of India met in Bhopal yesterday and recommended the state government to monitor the development of the lung conditions of about 200,000 people in the affected area near the factory.

"Everyone living in the area will be screened for their lungs and then doctors will try to see if there is a pattern," said Mr Singh.

There have been rumors of a risk of cancer developing, but this has yet to be proved medically and is being dismissed by the authorities.

Meanwhile, a survey of all Madhya Pradesh's potentially dangerous industries is nearing completion. "We shall change many of our rules and regulations because I find on even only a cursory study that many are out of date and are not as strict as they should be," said Mr Singh.

Similar action is being taken in other Indian states because the tragedy has made the authorities realise for the first time the lethal potential of many chemical and other hazardous processes now operating in or near major residential areas.

● A $50bn suit has been filed against Union Carbide, contending that negligent maintenance caused a chemical leak that killed more than 2,000 people near its Bhopal pesticide plant, AP reports from Los Angeles.

Mr Harvey G. Cooper, a Los Angeles attorney who filed the suit on Monday, said that in addition to seven identified plaintiffs, the suit seeks damages for an additional 40,000 Indians who have formally retained him to represent them against Union Carbide.

The Superior Court lawsuit alleged that Union Carbide carelessly and wantonly maintained the pesticide processing plant where the leak of methyl isocyanate gas occurred on December 3.

Republicans voice differences over deficit

By Stewart Fleming in Washington

DIVISIONS within the Republican Party over how to tackle the federal budget deficit have been underlined with a report calling for tax reform and curbs on federal spending, issued by Republican leaders in the House of Representatives.

The report failed, however, to endorse the idea of postponing scheduled increases in social security payments, a proposal backed by Senate Republicans.

It also emphasised the importance of the continued build-up in the Defence Department, another area of the budget where some Senate Republicans say there is room for economies.

The House Republican booklet, entitled "Ideas for tomorrow, choices for today," was seen on Capitol Hill as primarily an exercise in political rhetoric rather than a detailed blueprint for action.

The Democratic Party in Congress is deliberately avoiding making proposals to address the huge federal budget deficit, and the Reagan Administration appears set to propose a budget of draconian spending cuts which have been dismissed as politically impracticable.

With House Republicans also apparently sitting on the sidelines, Mr Robert Dole, the Senate majority leader, and his Republican colleagues, seem destined to carry the burden of trying to draw up budget cutting proposals which could form the basis of Congressional action on the deficit.

Northwest loses cabin staff case

By Paul Taylor in New York

NORTHWEST AIRLINES, the St Paul, Minneapolis-based U.S. air carrier has lost a celebrated 15-year court battle brought by 3,300 present and former female cabin attendants who alleged pay discrimination and sought about $59m in compensation.

Northwest revealed that the Supreme Court had refused to review a lower court decision against the airline brought under the civil rights and equal pay acts.

The case, which was brought in 1970, involved back pay claims dating from 1968.

Brazil's President faces enormous challenges, writes Andrew Whitley

Very model of a modern moderate

THE INHABITANTS of Sao Joao del-Rei, a small, historic town in the heart of Minas Gerais state put on the map by the discovery of gold in the 18th century, were celebrating yesterday.

Their most illustrious son, Tancredo de Almeida Neves, had just been elected the 29th President of Brazil, ending the longest span of military rule the country has known and inaugurating a new political era, already dubbed the "New Republic."

A prematurely bald, diminutive figure, Dr Tancredo, as he is respectfully known in Brazil, was born into a prosperous business family of Portuguese origin. His early training was as a lawyer but, apart from a brief period during the Second World War, he never practised, showing an early preference for politics instead.

Now 74, his political career has spanned half a century, beginning with his election as a town councillor in San Joao del-Rei in 1934. Entry onto the national stage came in 1950, under the patronage of his political mentor and fellow "Mineiro"—a Minas Gerais native — President Juscelino Kubitschek, Brazil's most distinguished post-war leader.

"I have never sought positions or posts. Despite my reluctance, these have been imposed on me by the injunctions of friends," he said in 1936. Showing early on the successful politician's ability to dissimulate and affect modesty, Sr Tancredo Neves can say with conviction and sincerity that he did not seek the presidency.

The task of uniting Brazil's vociferous opposition behind a candidate capable of meeting the Figueiredo government's man, Sr Paulo Maluf, and able to convince the military not to block his path to power, was thrust on him last May. It followed the narrow defeat of the prolonged opposition campaign for direct Presidential elections.

Until then, Sr Neves had been content to end his career as Minas Gerais state governor—a post he held for 14 months to May 1984, and in which he performed competently if not spectacularly. Briefly, in the midst of the political turmoil of the early 1960s he had also served as Brazil's Prime Minister, a position subsequently abolished.

By conviction and temperament a true "moderate," Sr Tancredo Neves deserves that overworked political epithet better than most. He is viewed nationally as a conciliator acting within a liberal tradition. But there are also strong overtones of old-fashioned paternalism, as well as touches of authoritarianism, in his make-up.

Age was never an issue in the national campaigns preceding yesterday's elections, despite his opponent's attempts to portray himself as the candidate of youth. The new President is a healthy, hard-working man with a sound medical record, and one who has successfully made light of his years up to now.

Economy blown badly off course

AT THE SAME time in mid-March as Sr Tancredo Neves is taking the presidential oath of office in Brasilia, M Jacques de Larosière, the International Monetary Fund's managing director, is expected to be weighing up Brazil's latest economic programme in Washington.

Already, many of the guidelines drawn up last month by IMF officials in agreement with the outgoing Figueiredo Government look far-fetched.

Prices rose in 1984 by a record 224 per cent and are showing an ominous tendency this year to rise to new levels, provoking denunciations by Sr Neves of "criminal speculation."

The money supply—a critical focus of the domestic adjustment programme—looks out of control. Preliminary figures released last weekend and unofficially confirmed indicate that the monetary base grew by 35 per cent in December alone, pushing the end of year level to 240 per cent—against a revised official target for 1984 of 95 per cent.

Opposition economists are also publicly sceptical of the government's greatest claimed achievement on the domestic front: that it has managed to balance public expenditures and revenue on an operational basis.

They believe that the public accounts have been manipulated and that the real size of the domestic debt is considerably higher than has been admitted, reaching 18 per cent of Gross Domestic Product.

Sr Tancredo Neves—has been left a series of economic time bombs.

In the face of this series of "time bombs" left by Sr Antonio Delfim Netto. the outgoing economic chief, the difficult question facing M de Larosière is: how far should he push Brazil's new civilian government in the last year of the IMF's three year period of vigilance?

His task is made all the more difficult by an awareness that despite Brazil's recent exceptional performance on its external balance of payments, there is no guarantee yet that former policies will be maintained by the new President. The IMF managing director also knows that the creditor banks still look to the Fund to police a tight austerity programme.

As in mid-1983, when relations between Brazil and the IMF reached a crisis point, once again the credibility of the Fund world-wide is at stake as it considers the seventh Brazilian Letter of Intent.

A senior Mexican Minister visiting Brazil recently summed up a widespread view when he commented admiringly, with more than a touch of envy: "It's perfect. Brazil has even managed to index its Letters of Intent."

Indexation of the economy has indeed been one of its most damaging features in recent years, fuelling and refuelling inflation. Aware of the dangers, the new administration is expected to begin a partial dismantling of the indexation measures.

In dealing with the nation's foreign debt—approximately $12bn (£10.9bn) worth of interest payments fall due this year, equal to the expected visible trade surplus—Sr Neves has repeatedly ruled out any recourse to a moratorium.

On the other hand, if he is to switch resources to the domestic sector, particularly toward higher food output and a large civil construction programme, as promised during the campaign, he may well need to renegotiate the multi-year agreement currently being finalised with the creditor banks in New York.

Among the options known to be under consideration by his economic transition team, already hard at work, are a programmed slow-down in payments or a partial capitalisation of interest.

An emergency economic programme, to tackle immediately the acute shortage of public housing and to create jobs, is being prepared. Sr Neves has also promised to take action to raise salary levels. All this is to be paid for through a reallocation of already earmarked federal funds, not through higher deficit spending.

Fortunately the economy returned to real growth last year, the first time since 1980. GDP growth in 1984 is officially put at 4.1 per cent, much of that coming in the second half, and it looks set to continue at that rate this year.

However, growth will need to be both higher and more generalised if the economy is to reabsorb those who lost their jobs during the recession and employ newcomers to the labour market.

Argentina denies report on military build up

By Jimmy Burns in Buenos Aires

THE Argentine Government has refuted British reports that a major re-equipment of its armed forces has taken place since the end of the Falklands war and that some military elements were preparing for a renewed campaign of attrition against the island's garrison.

A strongly worded statement issued late on Monday by the Ministry of Defence described a report prepared by a peace studies group at the University of Bradford as "totally false" and accused the British Government of making a veiled effort to justify its military presence on the island. The statement seems to reiterate the Government's non-belligerent attitude towards the Falklands issue.

The Ministry emphasised that since the swearing-in of President Raul Alfonsin in December 1983, defence spending had been reduced drastically. A limited amount of arms had been delivered since the end of the war, but these had been ordered by the previous outgoing military government and did not represent new purchases as listed in the British report.

The Ministry did not detail the type or number of arms delivered. However, a study prepared by a usually reliable local civilian defence research group estimates that the air force and navy together have only replaced front line aircraft lost during the war — an estimated total of 130 — and has not purchased 30 additional units as suggested by the University of Bradford.

The Argentine research group also questions the accuracy of claims that the air force has developed a new long range missile capable of reaching the Falkland Islands and that a large number of Exocet missiles had been delivered to the navy.

According to diplomatic sources, the Alfonsin Government sees such issues as the Bradford report as extremely negative at a time when it is stepping up its efforts to find a diplomatic settlement to the Falklands dispute.

WORLD TRADE NEWS

Leyland in tough battle for \$520m Thai bus contract

BY CHRIS SHERWELL, SOUTH EAST ASIA CORRESPONDENT AND BOONSONG K'THANA IN BANGKOK

A BRITISH consortium led by Leyland Bus is pitted against tough competitors from Belgium, France, Spain and Japan for \$520m (£465m) contract to transform the vast public bus operations in the Thai capital of Bangkok.

Tenders had to be submitted to the Bangkok Mass Transit Authority (BMTA) by yesterday afternoon. Of the original dozen parties which showed interest in the deal, five have submitted bids and the fight for one of the most lucrative and prestigious bus contracts is now well and truly on.

Leyland Bus is teamed with the National Bus Company, Britain's state-owned bus corporation which runs a fleet of 14,000 buses profitably, and MVA consultants of London, which has already done a preliminary study in Bangkok. The consortium's financial advisers are Wardleys of London.

The other contestants in what is bound to be a bruising battle are Van Hool of Belgium, which is believed to be teamed with Volvo of Sweden, Renault of France, Pegasso of Spain and Singapore Motor Leasing, which is thought to be related to either Hino or Isuzu of Japan.

The main surprise in the tender is the absence of the West Germans. Neither Mercedes Benz, which currently dominates the Thai rural bus market, nor Man appear to have followed up their earlier keen interest.

The contract itself is to re-organise and re-equip the BMTA's operations — the agency's services carry more than 5m passengers a day. The British proposal involves the supply of 4,500 Leyland buses, including many double-deckers, the construction of 24 bus depots, the development of a training programme and a reorganisation of BMTA's management structure.

At the same time the Agency's financial woes—it carries a heavy debt burden and is losing money at the rate of more than Baht 2m (£66,000) a day — are to be ended, preferably without a change in fare structure. The BMTA is already reckoned to be close to bankruptcy.

Bidders have submitted separate technical and financial proposals, and yesterday Mr Piehate Satiracbaval, the managing director of BMTA, said that a seven-man committee of government officials would be formed tomorrow to consider the submissions.

Bodymakers Van Hool together with chassis-builders Volvo are likely to offer the British team the toughest opposition. Leyland is offering to assemble most of the buses from vehicle kits manufactured in the UK.

Malaysia may impose more car import curbs

MALAYSIA WILL take further action against car imports if domestically produced cars do not sell, according to Prime Minister Mahathir Mohamad, Reuter reports from Kuala Lumpur.

The 1985 budget, presented to Parliament in October, raises duty on completely knocked down cars to 40 per cent from 30 per cent and increases it by 35 percentage points on cars costing Ringgit 30,000 (£10,791) and above.

Malaysia has started on a \$230m venture with two firms in the Mitsubishi group. Mr Mahathir said in an interview that it was not intended to export the Proton Saga cars, due to be produced from next July.

Production of the 1,200 cc to 1,600 cc cars will rise to 120,000 by 1995 from 5,500 this year, he said.

The car, whose engine and gearbox will be wholly Japanese, is built by Perusahaan Otomobil Nasional (Proton).

Mr Mahathir said car making could shift from the developed to the developing world. Japan, the U.S. and Europe would move into higher technology and would possibly move out of car production, he said.

Nigeria pays first interest on trade debt

By Patti Waldmeir in Lagos

THE CENTRAL BANK of Nigeria has made its first interest payment on some \$250m (£223m) in promissory notes, issued to major creditors last November, as the first stage in rescheduling several billion dollars in overdue trade debts.

Some \$32m in interest, representing interest backdated to January 1 1984, has been paid on the notes, which cover only a fraction of total arrears.

A second issue of a further \$120m in promissory notes representing non-dollar debts to the same creditors, covered under the first issue, has been delayed and is not now expected until sometime next month.

Nigeria has built up huge trade arrears over the past few years as falling oil prices have depressed the country's foreign exchange income and gravely weakened its ability to pay overseas suppliers.

Head of State Maj-Gen Muhammad Buhari said when presenting the 1985 budget on January 1 that trade arrears now total some Naira 4.76bn (\$6.3bn) but some bankers believed this figure refers only to uninsured debts with insured debts representing perhaps a further \$2bn-3bn.

Nigeria agreed terms last April with some 350 creditors to refinance uninsured debts. Western export credit agencies have so far blocked agreements on insured debts until Nigeria reaches agreement with the International Monetary Fund (IMF) on an economic recovery programme.

Nigeria's Central bank is not expected to issue notes to cover the bulk of uninsured debts until later this year, perhaps in April, when it will have completed the current process of checking the validity of debts against its own records.

Bankers in Lagos said they believe delays in issuing the notes so far did not reflect a reluctance on the part of Nigeria to accept valid claims but stemmed from the enormous volume of work involved in cross checking hundreds of thousands of claims.

Nigeria has issued import licences valid through 1985 to a number of major Nigerian companies involved in priority sectors.

The case for a UK export bank

Following this week's big hike in British lending rates, Christian Tyler, Trade Editor, explains why some City bankers are pushing for a new export lending institution

● Mr Kit Farrow—Assistant Director of the Bank of England

THE BIG HIKE this week in British interest rates has at least temporarily made the export credit terms of the Organisation for Economic Co-operation and Development—the so-called Consensus rates—attractive again to lenders of officially-backed sterling for capital goods exports.

Until the latest upward move in the UK, the OECD rates—although lowered as from yesterday—offered no clear-cut advantage to British exporters, especially to those with long-term contracts in the world's richer markets.

But for the next six months at least—and depending on whether sterling rates continue to rise over that period—the UK Government may find itself again called on to fork out subsidies for sterling loans at fixed rates.

The other consequence of what is happening to sterling rates is that exporters and their banks may be driven to look increasingly at foreign currency financing outside the OECD system.

This could strengthen the hand of a small group of London merchant banks, led by Morgan Grenfell, who believe that "free market" financing can be made even more competitive for British exporters by creating a specialised export bank.

Proposals for such an institution have been floating round the City and discussed by the Export Credits Guarantee Department itself. The plans were shelved while the Government conducted its review of the ECGD's status and functions.

Having rejected that review's recommendation to reconstitute the ECGD as a public corporation with borrowing and lending powers, the Government asked the Bank of England, the Treasury and ECGD to investigate the merits of a new institution. That investigation begins shortly.

At first sight, the concept looks superfluous — and indeed is still regarded as such by some of the bigger banks who have made a reasonably profitable business out of extending credit whose repayment is guaranteed 100 per cent by the ECGD.

The commercial banks, who have been asked to send submissions to Mr Kit Farrow, assistant director of the Bank of England and his team, will say that they can already borrow and lend at the finest rates —so why create a new, possibly monopolistic, institution.

But according to the sponsors of the scheme, an export bank would be able to do even better.

It would be able to raise funds in the Eurobond market, where it would enjoy the highest rating by virtue of having virtually all of its onward lending insured by the ECGD. If: as is being suggested, the Bank of England were to be one of the shareholders—with, say a 15 or 20 per cent stake —the Bank would be virtually a sovereign borrower.

Secondly, so the argument goes, an export bank would be able to raise funds on a continuous basis, but would disburse the cash for individual projects in the staggered fashion that export business demands.

That would overcome the difficulty of matching the requirements of the Eurobond investor with the needs of the export lender and his overseas client.

The bank would have no Government subvention, only the "pure cover" insurance of ECGD already provided to individual banks who forego the interest rate make-up system regulated by the OECD agreement.

Another claimed advantage for a bank is that it solves the problem of access to long-term, fixed-rate currency markets especially in, say, Swiss Francs or Japanese Yen, where outsiders are made to feel unwelcome because of the competitive threat to Swiss or Japanese exporters.

To a large extent the viability of an export bank will depend on the Consensus system becoming redundant, at least in terms of permitting export loans at rates better than the market can provide.

An export bank could also it is said, lend low interest rate currencies at their true rate, slicing a fraction off the cost that the exporter would have to bear if he took the officially supported Consensus route.

Sceptics in the City point out that an export bank could find itself in difficulties if the Consensus system failed to die a natural death.

Behind that scepticism is the fear that an export bank would siphon off much of their own business, leaving the major banks as reluctant shareholders in a company whose long-term profitability was questionable.

The other fear is that a private bank, however fully insured by government, might not command—or might cease to command — the exceptional credit rating on which its treasury management operation would so crucially depend.

None the less, the idea has gained a foothold. And it can safely be predicted that the idea proves commercially viable and politically attractive, all the export finance houses—large and small—will be jostling defensively for a share of the action.

Japan and U.S. fail to finalise steel curbs

THE U.S. and Japan failed yesterday to work out details of an accord under which Japan will limit steel exports to the U.S., Reuter reports from Tokyo.

A Ministry of International Trade and Industry official said: "there was additional progress, but there was no overall agreement."

The two countries agreed last month that Japan would restrict steel exports to 5.8 per cent of U.S. consumption. But after three days of talks they remained at odds over when the accord would go into effect, how long it would last and how the total share would be apportioned among different steel products.

He said the U.S. wanted a five-year pact, but Japan would like to see it reviewed at shorter intervals.

He also said it would be difficult to put the accord into effect retroactively from October last year, as sought by the U.S. Further talks would be held next month.

● A Japanese consortium led by Mitsubishi Heavy Industries submitted the lowest bid, \$335m (£299m), for a larger power plant, to be built in eastern Saudi Arabia, industry officials say.

U.S. in move to boost Portuguese economy

BY DIANA SMITH IN LISBON

A U.S.-Portuguese foundation has been established to promote and finance the development of the Portuguese economy.

The foundation will be run by appointees of the U.S. and Portuguese Governments, and has an initial sum of \$40m (£36m) to begin work.

It will foster co-operation and investment in Portuguese industry and business, science and education, and in some respects supersede the activities in Portugal of the official U.S. Agency for International Development.

The idea emerged during negotiations for the continued use by the U.S. of facilities at the Lajes Air Base in the Azores. For use of the base until 1991, the U.S. Government agreed to provide annual military and economic aid to Portugal.

For some time, the Americans, who gave more than \$1.5bn in aid and supported loans to Portugal from 1975 to 1980, have been keen to attract more active U.S. private interest in Portugal, as opposed to government funds.

Sweden to take stake in U.S. steel plant

By Kevin Done in Stockholm

UDDEHOLM OF SWEDEN, one of the world's leading manufacturers of tooling steel, is to take a 20 per cent stake in a new \$15m special steels plant in the U.S.

The plant is to be built in a joint venture with Elwood City Forge and will be located in Newcastle, near Pittsburgh.

The plant will have a capacity of 50-60,000 tonnes a year and is expected to be in production by the end of the year. The plant will be built with Swedish technology with an arc furnace and a vacuum degassing furnace to be supplied by Asea, on orders worth around SKr 60m (£5.9m).

Uddeholm, the third largest European maker of tooling steel after Thyssen Edelstahl of West Germany, and Vereinigte Edelstahl of Austria is concerned that U.S. steel quotas will hinder its further growth in North America, where it currently accounts for some 10-12 per cent of the U.S. market.

Uddeholm's future growth in the U.S. will be based on the 5,000-6,000 tonnes of tooling steel it will take from the joint venture. It already exports to the U.S. some 10,000 tonnes of tooling steel a year.

It is aiming for a 50 per cent growth in its U.S. business over the next three to four years with growing sales in plastic mould steels

● David Brown in Stockholm writes: Asea, the Swedish electrical engineering and electronics group has won two turnkey contracts worth a total SKr 150m (£14.8m), to provide power management systems to Colombian utilities in Bogota Medellin and Guadeloupe.

The equipment, which includes three computers, a number of printers, and software will allow centralised control of the energy distribution between some 85 power stations and sub stations and will be installed and commissioned by 1987.

● Sandvik, the Swedish cemented carbide and speciality steels group has won a SKr 50m order from the Soviet VAZ tooling factory, 100 miles East of Moscow to supply technical training and advanced metal cutting tools for motor vehicle production. Cemented carbides are extremely hard cutting tools.

RESOURCES REVIEW

Hopes and fears of Peru's oil industry

By Robert Graham, recently in Peru

THE PERUVIAN oil industry was given a big boost by last November's exploration contract signed by Royal Dutch Shell with Petroperu. It promises to check the declining investment trend by foreign oil companies and offers new hope of improving the country's reserves. Recoverable reserves have fallen by more than 15 per cent in the past three years to 696m barrels while production is being sustained around 180,000 b/d, but existing fields are running low and without new discoveries Peru will be a net importer of crude within 10 years.

The Shell contract covers two new blocks, nos 49 and 51, in the Madre de Dios basin in the southern jungle on the eastern side of the Andes. These blocks are near to two other jungle blocks on which Shell began exploration in 1981. In the second of two wildcats in the latter area Shell has encountered small quantities of gas. The company has remained silent on the prospects of these blocks, nos 38 and 42; but industry sources in Lima believe the gas field could well indicate crude lower down.

The jungle crude is heavy with high sulphur content

The fact that Shell has gone through a laborious process of negotiation over the new contract, and accepted terms still regarded as disadvantageous, has convinced many that the company is confident of a find. The new blocks also happen to be near another Shell venture across the border in neighbouring Bolivia which is at the seismic stage. Shell officials merely say that the Peruvian contracts are a normal part of their worldwide exploration programme.

Until now, Peru's commercial discoveries have been made either on the northern coast from the River Chira up to the Ecuadorean border or in the northern Amazon jungle region. The new Shell contract, coupled with advanced discussions by Maritime Oil for an adjacent block near Lake Titicaca, focus the interest of exploration in the south of the country for the first time.

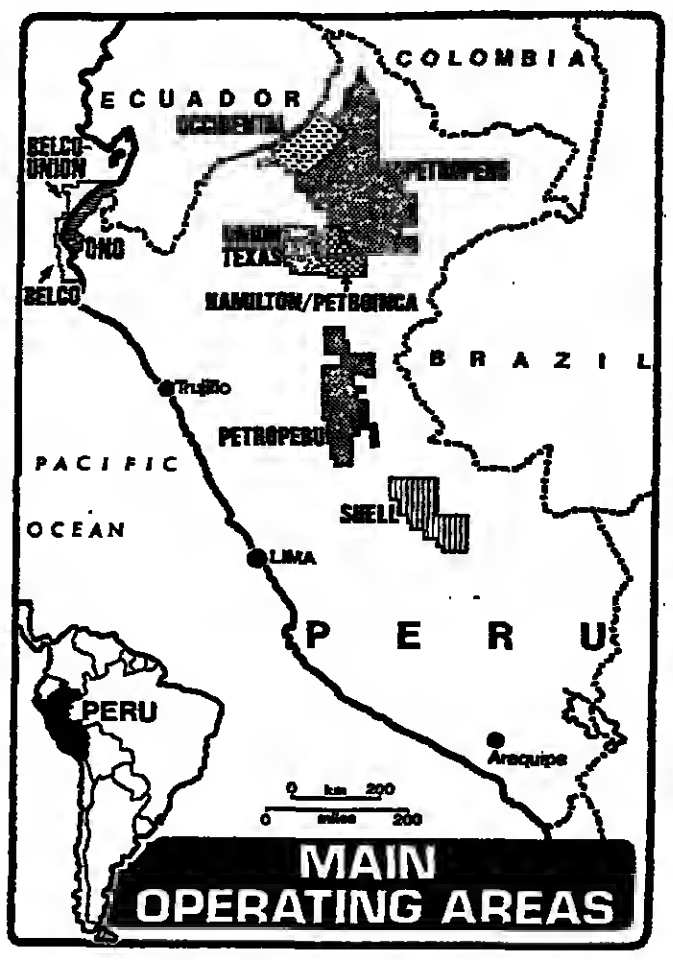
Peru boasts the first well drilled in South America, in 1863, at Zorritos. Although Peru has been producing for more than 100 years, the modern industry really dates from 1969 when the populist military government abandoned the concession system and established Petroperu as a state-run oil company with responsibility for all aspects of the industry. Petroperu rapidly expanded prospection either alone or with foreign partners via operating contracts.

The principal new discoveries were made by Petroperu and Occidental in the northern jungle, which now produces two thirds of all Peru's crude. This jungle crude is heavy with a high sulphur content.

By the late 1970s the areas initially thought most promising had been explored and the high hopes raised by the early finds were not sustained. The fields proved generally small by international standards and expensive to drill and exploit. The main amazon jungle fields are almost 900 kms inland on the eastern side of the Andes, and wells in this terrain can cost up to $25m each. From a high of 46 wells in 1975, the current level of exploration is below 15, and three years ago activity was almost at a standstill.

Majors like BP pulled out (from block 13) after poor results and the smaller U.S. independents which were willing to develop smaller fields became concerned by the changes made in the contracts. The "Peruvian" model contracts signed in the 1970s were generous to the contractor, giving an average 50 per cent of the production. No income taxes were paid on this share, only expenses deducted. Since costs were usually around 30 per cent of this share the contractor ended up with a 37 per cent profit on the total oil produced. In 1979 the government altered this system radically. The contractor rather than Petroperu became liable for income tax on profits and as a result the contractor's share of the crude produced became equivalent to 12 per cent after deducting costs. Such a take compares with 15 per cent in Indonesia, 19 per cent in Brazil and 39 per cent in Colombia.

To offset the negative effect of this legislation an additional law was passed in 1980 that provided a system of tax credits for new investments. Significantly a differential in these tax breaks has been made between the northern and southern areas—in the former contractors are treated less favourably.



Occidental, which has been involved in a lengthy tax dispute with the government, has been pressing for a change in the whole contractual basis. Negotiating for Block 29 in the Haullaga basin in the middle of the eastern slopes of the Andes, Occidental has proposed a fee per barrel produced based on a basket of international crudes; and instead of paying taxes in crude they would be paid in cash. The outgoing government of President Fernando Belaunde is unlikely to take a decision on this now. It was as much as could be done to elaborate the deal with Shell.

Shell has signed a 30-year risk contract which commits the company to spending $20m in the first three years. This will include geological studies and shooting of 400 kms of seismic lines. If Shell moves into the next three-year phase of exploration it would have to spend a further $29m and drill at least two wells. Against these commitments, bank guarantees of $49m have been signed. In contrast to previous jungle contracts (including its own signed in 1981) which obliged companies to drill two wells within the first two years, Shell has obtained a seismic option. This means than the bank guarantee is not lost if seismic surveys do not justify drilling.

Shell needs to prove at least 400m barrels of oil to justify construction of a trans-Andean pipeline from the jungle to the southern coast at an estimated cost of $1.4bn. In the contract one of three formulas can be used for working out the production split depending on how the pipeline is financed. If Shell builds the pipeline it starts with 67 per cent of production; on a joint venture Shell would start with 57 per cent on the first 90,000 b/d and if Petroperu undertook the pipe alone, Shell would receive half the crude up to 120,000 b/d.

If Peru is to have a reasonable chance of increasing its reserves then other companies must follow Shell. Sr Fernando Zuniga, head of Petroperu, had been lobbying foreign companies to take either a first look or renew their interest even before the Shell deal was tied up. Sr Zuniga has also been behind a study proposing a new model of contract which provided a better take for the operator, because he is aware that Petroperu alone cannot fund the necessary investment.

Sr Zuniga says Peru should aim to maintain production above the 180,000 b/d level for the next ten years in order to remain self-sufficient and allow a small surplus for export. But in order to do this he reckons that between $800m and $1bn (at today's prices) needs to be invested annually during the next decade. This compares with the $350m anticipated for 1989, a figure well down on the $513m of 1981.

In the past five years the whole pattern of exploration investment in the industry has changed. Instead of the foreign companies providing the bulk of investment, Petroperu is now doing so. From covering only 14 per cent of investment in 1980 Petroperu is now responsible for almost 55 per cent. However, in Peru's current financial difficulties arising from its $13bn foreign debt, Petroperu's access to funds is being tightly controlled. Moreover, Sr Zuniga complains that the company is being squeezed by the government. Original investment plans this year for all its activities of $375m were pruned by the government to $158m. After a tussle the figure was raised to $206m. But Petroperu considers $250m to be the minimum. On present form Sr Zuniga reckons that some $600m a year will have to be found by other oil companies if production is to be sustained by new discoveries, improvement to existing fields or via secondary recovery.

The next likely agreement is with Martime Petroleum in the large Titicaca basin, an area still undefined by blocks. The region has seen some oil seeps but has received little attention in recent years. Hispanoil on the other hand, negotiating for a block in the north, no. 50, has reportedly lost interest after failing to find an international partner.

According to Sr Zuniga, Marathon, Conoco, Union of California, Mobil and Tenneco are sharing interest in Peru and have bought a lot of information from Petroperu. But at least some of these companies are still nervous about the political climate in Peru, especially concerning operations in those areas in central and southern Peru where the Maoist guerrilla *organisation*, Sendero Luminoso (Shining Path) is active. Others want to see the tax dispute between the Government and Occidental and Belco over allowances and overpayment of advances settled before they make a move. Occidental has invested more than $1bn in recent years in the country but is withholding further commitments until the tax issue is settled.

No one is sure when the country will become a net importer

In the meantime, Petroperu's project to revive the Laguna-Zapotal fields in the Talara region on the northern coast is about to go ahead. The project has been bedevilled by problems and is already over 18 months behind schedule. Experts in Petroperu say that this $240m project could provide an extra 14,000 b/d, preventing an overall decline in the country's production during the next two to three years.

But even with this project operational, Sr Zuniga says that production could be as low as 110,000 b/d by 1990 without new discoveries. Against this domestic demand is currently running at 120,000 b/d. No one is sure when Peru will become a net importer, but the rate of depletion is such that the pessimists believe it could be well within the next decade. Peruvian crude is being sold mostly on the spot market at a price last year averaging $26.80 per barrel. Up to October earnings totalled $536m, 20 per cent of Peru's hard currency revenues.

TECHNOLOGY

EDITED BY ALAN CANE

CAN UK BAKERS MAKE AMERICAN LOAVES? IT DEPENDS ON HOW THEY KNEAD THE DOUGH.

Enlightened approach to British bread

BY PETER MARSH

A MAKER of baking machinery in Lancashire is attempting to win the "battle of the bubbles"—to perfect hardware that will double the number of air-filled cells in a loaf of standard weight.

The prize at stake is a share of a large market in supplying baking equipment to bread manufacturers in the U.S. where, traditionally, consumers prefer bread of perhaps half the density of the typical British loaf.

Few U.S. bakers make bread with the comparatively modern "no-time" technique favoured in Britain. In this, the time for conventional fermentation of dough is greatly reduced, so cutting costs. Instead, most American bread companies favour traditional techniques in which the dough is left to ferment for up to four hours.

Efforts to establish the British no-time technique in the U.S. have failed in the past, largely because of the difficulties of adapting the process to make American-style bread.

But Tweedy of Burnley, a pioneer in making equipment for the no-time technique used in Britain, is cautiously optimistic that, after years of effort, it has cracked the problem. The company thinks it has devised a way to mix dough that can later be baked to give low-density loaves.

> Few U.S. bakers make bread with the comparatively modern "no time" technique favoured in Britain

Tweedy has changed in a minor but important fashion the mixing action of the hardware that it makes for British bread plants. It has worked with British Arkady of Manchester, a manufacturer of baking chemicals, to prescribe a special formulation of additives needed to make the "no-time"-type bread acceptable to the U.S. consumer.

Both Tweedy and British Arkady are owned by Archer Daniels Midland, an American food and agriculture company based in Decatur, Illinois.

In the past year, Tweedy has supplied 10 adapted dough-mixing machines to half a dozen bread plants in the U.S. The hardware is turning out dough on production lines while engineers evaluate the results. Each £80,000 machine mixes up to 350 kg of ingredients—typically wheat flour, water, yeast and chemical additives.

Tweedy is reluctant to give details of its process before evaluation trials are complete. Mr Michael Ball, Tweedy's general manager, does not want to divulge the plants in which his adapted machines are located.

He says that if the trials prove that the adapted British process can turn out acceptable American loaves at low cost, the U.S. market for machines of this sort could be very large.

Tweedy currently sells about 100 dough-mixing machines a year worth some £7m. Nearly half the machines are exported—but mostly to countries such as New Zealand, Brazil, Israel and South Africa where people happen to like the British form of bread.

The British no-time method is called the Chorleywood process, to commemorate the inventors of the technique—scientists at the Flour Milling and Baking Research Association in Chorleywood, Hertfordshire. About 90 per cent of UK factory-made bread is produced with the technique, which was devised in the late 1950s (see panel).

In the U.S., only about 10 per cent of mass-produced bread is made with no-time techniques. Each year Americans munch their way through bakery products worth $30bn—more than the gross domestic product of Portugal—including roughly 7bn loaves.

Typically, an American loaf of 500 grams would take up about 3.5 litres, up to twice the volume of the UK equivalent. In simple terms, a U.S. loaf contains twice as much air, which is trapped in the cells enclosed by the fibres of protein that form the structure of the loaf.

Crucially, U.S. bread makers would not want extra air, simply in the form of large bubbles. This would lead to a loaf with too open a structure—in a form approaching French bread—that would not appeal to the average American consumer.

The technical challenge thus adds up to a requirement to produce dough with a very fine bubble structure—in which a lot of air cells are packed into a small space.

Tweedy's engineers found they could produce such dough by making subtle changes to their mixing machinery. To make British bread by the Chorleywood process, the ingredients are churned up in a mixer whose moving parts turn at about 330 revs/min for two-and-a-half minutes.

In a machine adapted for the U.S., the mixer turns at 305 revs/min for slightly longer—4 minutes. In this way, more energy is put into the dough to create the finer bubble structure.

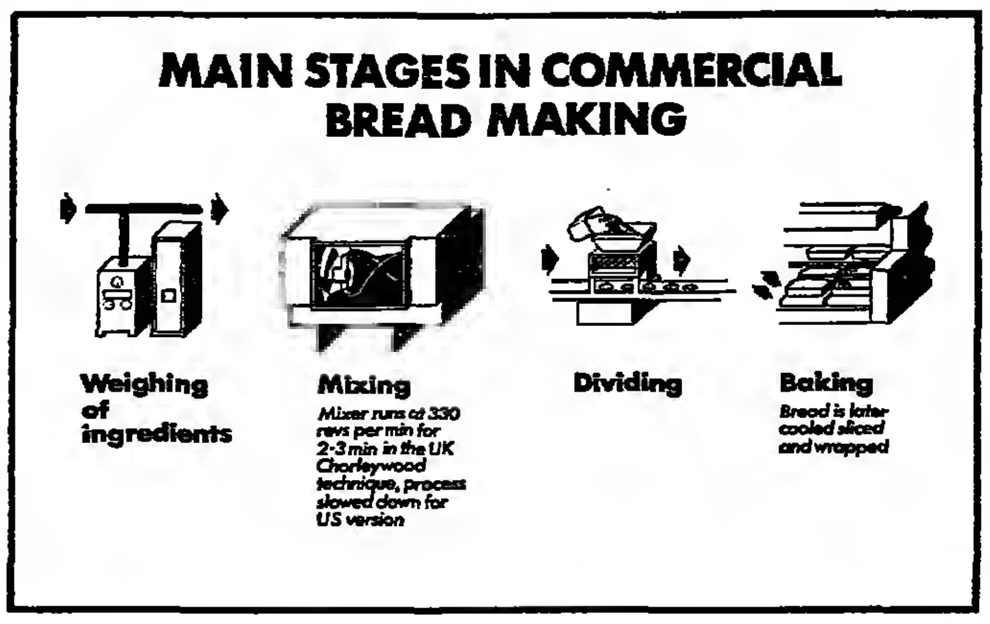
The reduced running speed ensures that the dough does not become too hot. If the temperature during the mixing process rises much above about 30 deg C, the dough becomes too sticky. It is then difficult to handle during later stages of the bread-making process such as moulding and baking in ovens.

The U.S.-style Tweedy mixers have cooling jackets in which water circulates to keep down the temperature. Engineers have also changed the shape of the mechanical components that cut through the dough.

> The technical challenge is to produce dough with a very fine bubble structure

In the Chorleywood process, formulations of chemicals are added to the ingredients at the start of mixing and at other stages of bread-making. An important group of chemicals, called "improvers," ensures that chains of proteins form in such a way as to give the bread a specific structure. Other additives preserve the bread or impart to the crust a particular type of sheen.

British Arkady is working on the formulations required for the Chorleywood process adapted to the U.S. market. The company is tight-lipped on the details for fear of imparting secrets to competitors.



THE "NO-TIME" bread-making technique favoured in the UK—*called the Chorleywood process*—has virtually replaced traditional techniques in British bread factories.

The Chorleywood process influences the key, initial stage of bread making in which dough is mixed. In traditional methods, ingredients such as wheat flour, water and yeast are stirred together.

The most important element of the wheat flour is gluten, the collective name for a group of proteins which form a plastic structure when mixed with water. It is the gluten that forms the walls of the air cells that feature in bread.

The Chorleywood process differs from conventional techniques in two important ways. It involves a highly intensive mixing stage, during which a large amount of energy is imparted to the dough in a short time.

Secondly, the process requires a high level of oxidising chemicals. These accelerate the reactions that take place during the lengthy bulk fermentation of conventional processes.

In bulk fermentation, the constituents of dough sit for *several hours in trays while* the yeast reacts with sugars such as sucrose to give carbon dioxide. During this "leavening" stage, the gas expands the dough and plays a part in creating the bread's final cell structure.

A no-time method eliminates the need for this lengthy fermentation period. The intensive mixing (at much higher speeds than the equivalent operation in traditional bakeries) creates the bubble structure.

Little "development" of the dough takes place. This is the name for the changes in the structure of the gluten chains as they are reoriented during the gentle mixing of conventional bread-making processes. During development, the chains become linked in networks that form the cellular framework of the loaf. Scientists do not fully understand the physical and chemical changes that take place.

In the Chorleywood technique, chemical reactions due *to the added oxidisers replace* the conventional development. The oxidisers, ascorbic acid for instance, cause cross-linking of gluten strands to *produce the same kind of* cellular structure.

Bakers can vary the way the gluten fibres link by changing the type and concentration of the oxidiser chemicals. Other additives include emulsifiers such as glyceryl monostearate that strengthen the walls of the air cells.

Bakers can also add extra quantities of gluten to increase the amount of protein in the mixture. Before the advent of the Chorleywood process, British bakers had to import large quantities of high-protein Canadian flour to make suitable bread.

Tweedy of Burnley, which in the 1950s was a broadly based engineering company (among other things it made ships' portholes), became involved with bread-making as a result of one fortuitous incident. The Flour Milling Baking Research Association in Chorleywood bought one of the company's granulators (normally used to break down sugar lumps) during the early stages of *developing the process. The association* used the granulator to mix dough.

Program

The pain of perfect translation

WORKS OF literature may lose something in the course of translation to another language; computer software can lose its meaning entirely.

So when Thorn EMI Computer Software became the exclusive world-wide publisher for a suite of programs developed by a U.S. company it took on board a raft of tricky problems.

It wanted to sell the software in Europe as well as the U.S. and UK but it was well aware that software written for the U.S. market would not be immediately suited to France, Germany or, indeed, the UK.

The only answer was painstakingly to translate the entire suite into the language of each country in which it hoped to make sales.

The software is a suite of business programs written by Perfect Software Inc—Perfect Calc, Perfect Filer and Perfect Link—the four most popular application programs.

According to David Gearing, managing director of Thorn EMI Software, the Perfect products offered genuine ease of use for the first time user, coupled with *extensive but highly regarded* documentation, including examples—U.S. examples.

The software, of course, had never been designed to be translated into French, German and Swedish, which together with the UK were the countries Thorn EMI settled on for its first experiment in selling "internationional software," which made the translation that much harder.

The company had to dig deep into the machine code (lists of zeros and ones representing electrical impulses which the computer recognises as instructions) to change the character sets for each country without disturbing the functions of the program.

Then it had to rewrite all the business examples—payroll and personal taxation was particularly important.

The programs are squeezed into 128,000 bytes of memory and sell in the UK for £149 ex VAT. In continental Europe prices are higher reflecting local market conditions and the costs incurred *in the translation—the West* Germany, the same package sells for about £250.

Software

Personnel system

CAP, THE UK information's systems market has set up a joint venture to market a computer based personnel systems. The software, developed by Percom, provided management information for recruitment and selection, career development and Statutery Sick Pay.

The system is suitable for companies with more than 150 employees. Software can run on a variety of micro-computers including the IBM personal computer. More details from Percom CAP on 0625 584885.

Networks

American connection

TORUS, the office automation company partly owned by Acorn Computers, *is setting* up a subsidiary in the U.S. The company has developed a network system for the IBM personal computer range and wishes to attack the $450m U.S. market.

The network called the Icon is a graphics controlled local area network which is designed to be particularly easy to use.

Peripherals

Computer printer

OLIVETTI'S multi-mode dot matrix printer is now available in the UK for personal computer and word processor applications. The machine offers a choice of printing quality up to letter standard at three different printing speeds.

It can be interfaced to personal computers such as the IBM, DEC, ACT as well as Olivetti's own make though the printer can also be linked *to larger systems.* More details from the company in London on 01-785 6666.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
142	123	Ass. Brit. Ind. Ord. ...	142	—	6.6	4.6	7.9	9.4
149	135	Ass. Brit. Ind. CULS...	149	—	10.0	6.7	—	—
77	51	Airsprung Group	51xd	—	6.4	12.5	6.6	6.7
42	26	Armitage and Rhodes .	40	—	2.9	7.3	6.0	8.3
135	108	Bardon Hill	132	−1	3.4	2.8	18.3	22.1
58	42	Bray Technologies	49	—	3.5	7.1	5.7	8.1
201	173	CCL Ordinary	173	—	12.0	6.9	—	—
152	114	CCL 11pc Conv. Pf. ...	114	—	15.7	13.8	—	—
808	100	Carborundum Ord. ...	808	—	5.7	0.7	—	—
98	84	Carborundum 7.5pc Pf.	98	—	10.7	12.4	—	—
[illegible]	64	Cindico Group	64	−3	—	—	—	—
73	61	Deborah Services	63	—	6.5	10.2	6.0	9.7
240	182	Frank Horsell	240	—	—	—	9.8	12.6
206	170	Frank Horsell Pr.Ord.87	206	—	8.8	4.6	8.3	10.8
31	25	Frederick Parker	30	—	4.3	14.3	—	—
50	33	George Blair	48	—	—	—	3.2	6.4
50	27	Ind. Precision Castings	27	—	2.7	10.0	7.4	9.0
218	193	Isis Group	193xd	—	15.0	7.7	7.7	13.9
124	105	Jackson Group	108	—	4.5	4.6	4.9	9.5
286	213	James Burrough	275	—	18.7	6.8	9.8	9.8
93	83	James Burrough 9pcPf.	92	—	12.9	14.0	—	—
86	71	John Howard and Co.	83	—	5.0	6.0	6.5	12.0
147	100	Linguaphone Ord.	147	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	95	—	15.0	15.8	—	—
600	300	Minihouse Holding NV	600	—	3.6	0.7	43.2	47.2
120	31	Robert Jenkins	32	—	5.0	15.6	—	—
60	26	Scruttons "A"	28	—	8.7	20.4	14.7	3.4
92	61	Torday and Carlisle ...	84	—	—	—	9.0	19.0
444	370	Trevian Holdings	370	—	4.3	1.2	21.0	20.7
27	17	Unilock Holdings	26	—	1.3	5.0	12.6	16.2
95	61	Walter Alexander	92	—	7.5	8.2	9.1	11.1
247	225	W. S. Yeates	225	—	17.4	7.7	5.4	10.3

Prices and details of services now available on Prestel, page 48146

APPOINTMENTS

Board changes at United Biscuits

UNITED BISCUITS director Mr Ian Miller has taken up a new appointment on the UB (UK) board as business development director. He will work closely with Mr Bob Clarke, chairman and managing director of UB (UK), and the UK operating companies. His new responsibilities include providing a service to the group's American companies, Keebler and Specialty Brands, and to look for new trading opportunities. Mr Miller was managing director of UB Frozen Foods, where he will be succeeded by Mr Eric Nicoli, who joins UB (UK) board. He joined UB from Rowntree five years ago, and was marketing director for UB Biscuits before being appointed UK business planning director last year.

*

Sir Francis Tombs, chairman of Turner & Newall, is to be chairman of THE ENGINEERING COUNCIL from May 1, for a three-year period. He succeeds Sir Kenneth Corfield, chairman and chief executive of Standard Telephones & Cables, who became the first chairman of the council when it was set up three years ago. Sir Francis is also a director of N. M. Rothschild & Sons, Rolls-Royce, Shell UK and Celltech.

*

Mr Graham Allen and Mr Lawrence Aspinall have become directors of NORMAN FRIZZELL UNDERWRITERS.

*

The VICTORIA WINE CO has made two board appointments: Mr E. F. Lines joins as finance director, and Mr K. A. Bird, previously EPOS operations and systems, Mr Geoffrey Willam-manager, becomes retail systems director, a new position within Victoria Wine. Mr Lines was previously commercial accountant with Lyons Maid, a sister company to Victoria Wine within the Allied-Lyons Group. Mr Bird was closely involved with the successful introduction of electronic point of sale in every one of over 800 Victoria Wine shops last year, and his new responsibilities will include all technical innovations within the company.

Mr R. I. Edmondson has been appointed general manager of COLONIAL MUTUAL LIFE following the retirement of Mr E. K. V. Redfearn. Mr D. J. Morris has been appointed deputy general manager and actuary.

*

Mr Ed Hough, managing director of the ICI subsidiary Atlas Chemical Industries, has become managing director of BERGER INDUSTRIAL COATING (a Berger Britain company). He

Mr Robert F. Barton, managing director of Ford and Weston

succeeds Mr John Bailey, acting chief executive of Berger Industrial Coatings for the past 18 months, who is to become managing director of another Berger Britain company, Resinous Chemicals at Newcastle. Mr Bailey replaces Mr Colin Morris who is retiring.

The FORD & WESTON GROUP has appointed Mr Robert F. Barton as managing director of Ford and Weston Limited, the group's Derby-based building and civil engineering organisation. He was general manager of the company.

*

Mr Charles B. Carpenter has been appointed to the board of RUDOLPH WOLFF & CO and Dr Mo Ahmadzadeh has been appointed an associate director.

CONTRACTS

Egyptian phosphate plant to be built by GEC

BY JOHN WICKS IN ZURICH

The mechanical process division of GEC MECHANICAL HANDLING has been awarded contracts worth more than £7m to supply a phosphate beneficiation plant and associated product and tailing pipeline pump station to be constructed at West Sebaeya in Upper Egypt.

The plant is to be supplied to the Abu Zaabal Fertiliser & Chemical Company, and will treat 3,500 tonnes a day of variable fine-grained bedded phosphate rock, producing concentrates by washing and/or flotation, according to ore type. This plant is the first of its type to be supplied to Egypt.

Concentrates will be pipelined some 2.5 miles to a site on the Nile River bank where a storage and loading facility is to be constructed, and river barges will transport the dried materiel to the AZFC fertiliser factory in Lower Egypt. Tailings will be pumped about 5 miles into the Western Desert for disposal.

GEC will be responsible for the design, supply, erection supervision, commissioning, testing and operator training for the entire process plant and associated facilities. All engineering, design and manufacture will be completed in 10 months. Project management for the mine development is by Seltrust Engineering.

TI MATRIX is to supply a flexible manufacturing system to Ingersoll-Rand, in a contract worth £1.5m. The system is required for computer controlled multiple machining operations on a family of components for industrial machinery. It comprises four horizontal machining centres, four pallet load/unload stations serviced by rail guided vehicle, a pallet washing station, a tool presetting system and component probing systems.

*

CALCOMP has won an order from the Thames Water Authority for four System 25 computer aided design colour workstations and peripherals worth £317,000.

*

A contract worth over £80,000 to supply a computer system and its related software for Scottish Prison Industries has been awarded to DATACALL, Leeds, computer services subsidiary of the Jonas Woodhead Group.

*

Following the decision by BRITISH AEROSPACE, Bracknell division, to build laser gyro inertial navigation systems for fast manoeuvrable aircraft, the Ministry of Defence has awarded to the division a £1m contract which provides a contribution towards that programme. This calls for a system to meet the ENAC 77-1 standard ready for embodiment in future RAF equipment programmes, such as Tornado improvements, the AST404 Puma replacement and British Aerospace programmes, such as the Hawk 200 series export light combat aircraft. Two laser inertial navigation systems will be built for delivery to the MoD during 1986.

*

TAYMECH has won a contract to install mechanical and environmental services in a computer centre with a £1.5m order for work in Wellingborough, Northants. The contract, awarded by main contractor Robert Marriott is for work at the Anglia Building Society's new computer centre on the town's Park Farm Industrial Estate. Work will begin in April with completion scheduled for early January 1986. Taymech is part of the Taylor Woodrow Group.

*

AJAX MAGNETHERMIC (UK) (a subsidiary of the Guthrie Corporation) has been awarded a contract valued at £1.5m by Seltrust Engineering. Seltrust, acting on behalf of Norzink A.S., has placed this order covering zinc cathode melting furnaces, holding and scrap melting furnaces. The equipment is to be installed as part of a major modernisation and expansion programme at Norzink's electrolytic zinc plant in Norway.

*

CEECO MACHINERY, a new joint venture company formed by Hi-Draw Engineering of Romsey, Hampshire, and Ceeco Machinery Manufacturing of Toronto, Canada, has received an order for equipment from BICC General Cables. The order, worth over £1m, is for five planetary stranding machine lines, complete with taping heads and drum stands, for the manufacture of elastomeric cables up to 100 mm diameter. The equipment will be made in the UK, to the basic Canadian Ceeco design, with Canadian engineers assisting in manufacture, and start-up.

UK NEWS

Austin Rover summons main dealers for talks

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUSTIN ROVER has called all main dealers to a meeting in Birmingham today to "review the recent market situation." BL's volume cars company is trailing behind both Ford and General Motors, with only 15.7 per cent of the UK market so far this month, according to figures released yesterday by the Society of Motor Manufacturers and Traders (SMMT).

Austin Rover dealers are speculating that the company will put more money into incentives and advertising in the drive to raise its market share.

The company knows that, after slumping below 12 per cent in December, a good performance in the market place is essential in the next few months to demonstrate its commercial viability.

The Government is at present reviewing the five-year corporate plan which projects around £750m of new investment and is expected to make clear that Austin Rover is now on its own. Increased sales are essential to generate the profits to finance the planned next generation of cars.

The SMMT figures for the first 10 days show a dramatic performance by General Motors' Vauxhall which has grabbed a 20.79 per cent of the market – a two point advance on the same period last year when it was boosted by a heavy incentive campaign.

The Cavalier car alone has taken 10.6 per cent of the market, with sales of 7,335 – an indication that fleet purchases are taking over in a month traditionally regarded as important for the private buyer.

Ford has been squeezed from 28.57 per cent to 22.44, but trade sources regard this as perhaps a temporary setback. Dealers were awaiting the national conference on January 7 when Ford announced modest new incentives.

The January market, already 4 per cent down, at just under 70,000 is expected to be slowed by the bad weather with sales pushed into next month.

Attention will focus on today's gathering of Austin Rover dealers to see whether one of the large assemblers is likely to disrupt the present relatively calm market. The meeting, to be held at the Longbridge plant, Birmingham, has been billed as "extremely important" and "absolutely essential" for distributors and main dealers.

Austin Rover has already announced limited dealer incentive of up to £200 a car on the Metro and £350 on the Montego – the car vital to the attack on the sector currently dominated by the Cavalier and Ford's Sierra.

Nissan pay offer, Page 10

Honeywell to supply benefit terminals

HONEYWELL, the U.S. computer and control system company, has won a £33m order from the Department of Health and Social Security (DHSS) to supply more than 10,000 terminals and more than 800 minicomputers to go into employment benefit offices.

The order was won in competition with British Telecom and Standard Telephones and Cables (STC). The terminals and computers will give counter staff rapid access to the DHSS mainframe computers made by ICL, now owned by STC.

The equipment will replace the existing teletype terminals used in benefit offices. Installation will begin in the autumn and is scheduled to be completed by the end of 1987.

The DHSS said Honeywell won the contract because it offered the lowest price. The minicomputers – which could eventually reach a total of 1,000 – will be made by Honeywell at Newhouse in Scotland. Honeywell has subcontracted the manufacture of the terminals to a British company, Linwood, which will make them at Alton in Hampshire.

The DHSS expects it will save about 2,000 jobs by the year 2001 as a result of the installation. It expects to achieve the savings through natural wastage.

☐ JUDGMENT was reserved by the High Court in a case brought by Dr David Owen, leader of the Social Democratic Party, against the Broadcasting Complaints Commission.

Dr Owen is seeking a court order to compel the commission to investigate what be calls unjust treatment of the SDP/Liberal Alliance on television.

☐ A HIGH COURT fine of £200,000 imposed on the Transport and General Workers' Union last November was collected from a union bank account.

The union, Britain's biggest, had refused to pay the fine after it was imposed for defying a High Court order to lift a strike at Austin Rover car plants. Proceedings to enforce payment were then taken by the court.

☐ *MR JIM SHERWOOD*, chairman of the ferry company Sealink UK, warned that ferry operators on routes connecting south-east England with ports ranging from Dieppe to Zeebrugge would go out of business if the English Channel tunnel was built.

"Dover, particularly, will become a ghost town if the tunnel goes ahead," he said. His company Sea Containers bought Sealink UK last year.

The British and French governments are considering plans for a cross-Channel link which both governments say must be paid for by private capital.

☐ THE CIVIL Aviation Authority announced lower navigational charges at UK airports which it said could save airlines about £3.7m a year. It said the cuts were possible because of cost savings and an increase in airline traffic.

☐ THE POTENTIAL for cheap electricity imports from France and Scotland should help to remove the need for the proposed Sizewell B nuclear power station, it was claimed.

Dr Colin Sweet, director of the Centre for Energy Studies, said at the Sizewell B public inquiry that the board should make full use of the interconnectors linking the electricity systems of France and Scotland with England.

☐ THE AUSTRALIAN Royal Commission investigating the safety of Britain's atom bomb tests in the 1950s accused the UK Government of making its task difficult.

Mr Justice James McClelland, who heads the three-man commission, said in London that preparatory work on documents relating to the tests in Australia had not been done. "Putting it at its lowest, this conduct is somewhat discourteous to this commission," he said.

☐ BRITISH AIRWAYS announced plans for lower fares on some flights from London to Austria and Belgium.

Subject to government approval, some return fares between Heathrow airport and Vienna would be cut by £50.

Lloyd's warns that falling £ will jeopardise its growth

BY JOHN MOORE, CITY CORRESPONDENT

THE FALL in the value of the pound threatens to curb the growth of business in the Lloyd's insurance market, Lloyd's has warned.

Mr Ian Hay Davison, chief executive of Lloyd's, said yesterday that the decline of sterling against the dollar could affect the ability of the market to take on business.

He said that 70 per cent of Lloyd's £2.3bn of insurance premiums was generated from business in the U.S. market. The volume of business was related to the underwriting capacity of Lloyd's, which was largely sterling-based.

The underwriting capacity is drawn from a large private membership of over 23,000. Each underwriting member commits his or her entire personal wealth to allow Lloyd's to function in return for a share of the profits of the market.

"If the membership of the market rises by 25 per cent and the pound declines against the dollar by 20 per cent, that does not represent a realistic growth in membership," Mr Davison said.

The amount of business which underwriters can accept in the market is strictly linked to formulas related to the assets of the underwriting membership which are sterling-based. A strong dollar might mean that underwriting members are taking on more business than permitted under Lloyd's rules, forcing them to turn business away.

Mr Davison said there were some arguments circulating in the market that the underlying underwrit-

After a meeting of the ruling council of the market this week it has been decided that when underwriting members of the market are involved in disputes with underwriting agents, who look after the members' affairs, the disputes should be resolved by arbitration. The council has agreed that the proposal should be made mandatory.

The move is designed to avoid public disputes in the law courts between underwriting members and their agents over the way their affairs have been handled.

ing capacity should be based in dollars to reflect the large amount of business done in the U.S. Lloyd's is understood to be studying the currency implications for the market closely.

Bank closes the curtain on MLR

Back to business as usual in the money markets

BY PHILIP STEPHENS

IT WAS back to normal operations in the London money markets yesterday as the Bank of England closed the green velvet curtains over the board which on Monday had displayed a minimum lending rate (MLR) for the first time since 1981.

Having given a firm signal to the leading banks that base rates should rise to 12 per cent to defend sterling, the Bank returned to the more discreet practice of influencing borrowing costs through its routine money market operations. The decision to post a minimum rate at which it would lend money to the banks was more about pyschology than substance. With the pound plummeting and at least one bank considering an even larger rise in base rates the Government simply wanted to give a completely unambiguous lead.

No one actually borrowed under the MLR system as the Bank continued to channel funds into the banking system by its usual practice of buying commercial bills. Yesterday, coincidentally, was one of those rare days when the officials in Threadneedle Street could actually sit on the sidelines. A special deal arranged with the banks earlier this month meant that there was no need for the authorities to supply cash to the markets.

What the decision to reintroduce MLR for the day has done, however, is to put the spotlight on the rather arcane system which in August 1981 replaced a public lending rate set each day.

Essentially the Bank checks each day how much is needed for the banking system to balance its books and, if there is a shortage, supplies the cash by buying commercial bills. Conversely it will mop up any surplus cash by selling the bills.

Whether the market is short of or has a surplus of cash is dependent on a whole range of factors from the Government's financial transactions to the number of bank notes in circulation.

But the net position is obviously crucial for the level of wholesale interest rates, which in turn must decide the rates which banks set for their customers.

In the days of the old official Bank rate and subsequently MLR the Government would deliberately engineer a liquidity shortage in the market, a position from which it could either push rates up by not supplying cash to meet it or down by injecting surplus funds.

The present Government, however, decided in 1981 that it wanted a free-market approach to borrowing costs, allowing supply and demand to fix rates, with the Bank of England taking a neutral role in helping the banking system to balance its books.

The theory was that on some days that market would be short of cash but on others it would have a surplus. The Bank would buy and sell bills to even out the two influences, but the actual level of rates would be decided by the demand for credit.

The theory worked in practice for only a few months. Heavy sales of gilt-edged stock by the Government, known as overfunding and aimed at controlling the money supply, meant that by March 1982 the money markets faced a constant daily shortage of funds.

In the process, the Bank built up a vast holding of commercial bills, which had to be topped up on a daily basis to stop interests rates rising too sharply.

By January of this year this "bill mountain" was worth more than £12bn. The authorities have found that they now have by accident what before 1981 existed by design – a constant shortage of cash in the money markets which puts them in the driving seat in setting interest rates.

Because the life of the bills ranges from only a few days to a maximum of 13 weeks, the Bank has to buy between £1bn and £2.5bn of new bills each week simply to maintain the present level, and thus avoid creating artificial cash shortages which would push up interest rates.

But what that means is that the Bank remains far and away the most dominant player in the money markets, and the rates it posts each day for its bill purchases provide a key influence on the level of interest rates.

Any change in those rates is seen as an automatic signal that the Bank wants the overall level of interest rates to change, and the leading commercial banks almost inevitably fall into line by altering their base rates accordingly.

Occasionally, the banks themselves may take the lead, but only if they are almost certain that the Bank itself will than change its rates accordingly. And a commercial bank never changes its base rate without a "courtesy" phone call to Threadneedle Street.

So if the Bank can say with its hand on its heart that it is the money markets which decide the level of interest rates, it does so in the knowledge that it dominates those markets.

Usually, the oblique signals provided by its bill dealings are enough. Only on extraordinary occasions like Monday is it forced to pull away the veil.

NUM under pressure to moderate stance

BY JOHN LLOYD, INDUSTRIAL EDITOR

GREAT PRESSURE is building up on the leadership of the National Union of Mineworkers (NUM) to moderate its defiant refusal to compromise on total opposition to the closure of uneconomic pits.

In Derbyshire yesterday the union's area executive voted unanimously to change its rules to gain virtual autonomy from the decisions of the national executive. It was a move exactly parallel to that made by the Nottinghamshire (Notts) area, which is now likely to cause its expulsion from the union.

Miners are already organising *themselves into two groups* in anticipation of decision to expel Nottinghamshire at a special delegate conference on November 30 – with "loyalists" claiming that thousands of Notts working miners will remain NUM members.

The Notts area executive meets again today and might decide to suspend its president, Mr Ray Chadburn – who has indicated his intention to remain loyal to the NUM and to attempt to re-organise the NUM in Notts if the area is expelled. Mr Henry Richardson, the area secretary, was suspended earlier this week for a similar declaration.

Representatives of the 1,500 striking miners in Notts, meeting on Monday night, decided to make preparations to organise new branches after what they see as the *inevitable decision* on January 30.

All miners in Notts would be required to re-apply for membership of the NUM after expulsion of the area – but the working miners group said last night that all miners, striking or working, would be welcomed back into the NUM fold.

The drift back to work continued yesterday, with the National Coal Board claiming 574 "new faces" bringing the total since the beginning of the year to just more than 5,000.

This total is more than 100 higher than last Tuesday's figures.

● The Trades Union Congress (TUC) feels there is no need at present to change its policy of opposing the Government's labour laws, according to a confidential policy document to be examined by TUC leaders today.

Pressure for the TUC to *shift* from its blanket opposition to the Government's labour legislation, first agreed at a special TUC conference at Wembley in 1982, is being exerted by a number of its unions.

In an internal paper to be considered by today's meeting of the TUC's employment policy and organisation committee, however, TUC officials are arguing against taking any precipitate steps.

In a clear rebuff to those unions pressing for the TUC's opposition to be modified, the TUC document says: "It does appear that it is too early for the movement to be assessing whether or not the Congress and Wembley policies have succeeded or failed or should be changed."

TUC officials accept that some unions are keen on altering some aspects of Congress' opposition, but point out that "others argue strongly that co-operation with any aspect of the new legislation will undermine all the decisions of Congress and the Wembley conference over the past five years."

UK NEWS

Retailers lose some confidence in outlook

By David Churchill

BRITAIN'S retailers are becoming slightly less confideot about the outlook for consumer retail spending, although the level of trade still remains much higher than a year ago, according to the latest Financial Times/Confederation of British Industry distributive trade survey.

Some 60 per cent of the 334 retailers in the December survey expect sales volume in January to be higher than a year ago, while 11 per cent expect it to fall. That gives a percentage balance of plus 49 per cent, the lowest level of expectation for any month in 1984.

In December, some 74 per cent of retailers experienced a rise in sales volume with only 14 per cent reporting a fall, giving a balance of plus 60 per cent (in comparison with an expected balance of plus 56 per cent).

Confectionery, tobacco and newspaper retailers were the only sector to report a fall in sales volume during December. That group is also the most pessimistic about the outlook for January.

Mr John Salisse, chairman of the survey panel, said yesterday: "Retailers expect business for January to be well up oo a year ago, although trade is now growing at a slower rate than in the last few months."

Mr Salisse also pointed out that "small shops reported better sales growth than the large multiples, perhaps because of the late Christmas rush."

The survey is based on replies from 577 companies, of which 334 are retailers, 186 whnlesalers and 57 from the motor trade.

Out of the whole survey, some 48 per cent expect the volume of sales to rise in January with 10 per cent expecting a fall, thus giving a balance of plus 38 per cent. In December, 52 per cent of companies in the total survey reported that sales volume had risen, while 21 per cent recorded a drop, thus giving a balance of plus 31 per cent (against an expected balance of plus 22 per cent).

Wholesalers in January are feeling more optimistic than for some months, with 45 per cent expecting sales to increase and only 7 per cent expecting a drop, thus giving a balance of plus 38 per cent. In the last two months, the expectations of that group have been more muted.

Nissan sets high pay rates at new car plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NISSAN, the Japanese motor company, intends to pay employees at its UK assembly plant well above the going rate in the rest of the British motor industry.

It says the basic pay of the 25 foremen it wants to recruit for its factory at Washington in North-east England will be about £12,500 a year, "to ensure we get the right people."

The equivalent pay at Ford UK plants for production foremen is between £9,000 and £13,000 for a 40-hour week but only a very few, senior people receive the top rate. Basic pay can be boosted by night shift work.

Austin Rover, the BL subsidiary, pay its foremen – whom it calls supervisors – up to £10,500 a year basic, plus a maximum bonus of £1,500.

Nissan has already filled most of the senior production management appointments by offering salaries about one third higher than tha norm in the UK industry.

Mr Peter Wickens, director of personnel and one of the first to be recruited, said yesterday: "To build the highest quality car in Britain we need the highest quality supervision and we are prepared to pay to get the right people."

Like Austin Rover, Nissan will not call the staff foremen but instead supervisors. The employees will be recruited in the spring and will have between six and 10 weeks' training in Japan in two stages. The supervisors will also be involved in setting up the Nissan assembly plant in Britain, due to be on stream next year, and training other employees.

Mr Wickens said that for some positions car manufacturng experience would be essential, but he also wished to recruit a large percentage with relevant manufacturing experience (for example in light engineering) in the North-east. A comprehensive selection process would include interview, testing and group exercises.

Mr Wickens said: "We need people who can work in a hight-technology environment and who are dedicated to achieving teamwork, the highest levels of quality and who are totally flexible in their attitude and approach to the job."

Quarter of UK tanker tonnage laid up

BY LYNTON McLAIN

ALMOST a quarter of the UK tanker fleet by tonnage is laid up for lack of work, compared with 17 per cent of world oil tanker tonnage laid up, the General Council of British Shipping says in a report on world shipping.

Japan has 2 per cent of its tanker fleet and only 1 per cent of its total merchant fleet laid up. The Netherlands has the highest proportion of its oil tankers laid up, with almost half, 42 per cent, idle.

The Netherlands has only 1 per cent of its dry cargo vessels by tonnage laid up, compared with 3 per cent in the UK. Japan has no dry cargo ships idle.

Greece, the world's leading shipping nation with a total of 461 dry cargo and tanker vessels has 19 per cent of its fleet idle. This compares with 16 per cent of the total UK fleet and 1 per cent of the total Japanese fleet.

World merchant shipping tonnage laid-up for lack of work fell 2.63m tons deadweight in November to 65.67m dwt.

● The Liverpool Freeport, officially opened at the end of November, has received its first cargo of containers from Liverpool-based Kirkby (Tyres), which distributes worldwide.

The containers, with 16,000 inner tubes from Korea, were handled by dockers employed by the Mersey Docks and Harbour Company and stored with Freeport Warehousing

Lawson urged to focus on tax cuts

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, was urged by company directors yesterday to concentrate his budget on tax cuts with renewed efforts to curb public spending.

In its budget submission, the Institute of Directors also suggested that he should raise his borrowing target for 1985-86 from the £7bn assumed in his Autumn Statement to £8bn.

By increasing this borrowing target, the institute believes the Chancellor would be able to make room for £2.5bn of tax cuts on conservative estimates rather than the £1.5bn suggested by Mr Lawson in November.

Sir John Hoskyns, director general, said yesterday that he did not believe that the recent fall in sterling would have reduced the Chancellor's scope for tax cuts, and he believed cutting taxes would be one of the quickest ways of reducing unemployment.

The main proposals of the institute (with the cost in a full year) are:

● A percentage point reduction in the basic rate of income tax (£1.2bn).

● A 5 per cent cut in higher rates of income tax (£475m).

● An increase of personal allowances and higher rate tax thresholds by 4 percentage points more than the inflation rate (£900m).

● Abolition of capital transfer tax (£680m).

● Abolition of capital gains tax (£1bn).

● Increase of VAT threshold for small businesses from £16,700 a year to £50,000 per year (£150m).

The institute urges the Chancellor not to try to raise revenue for direct tax cuts by increasing the coverage of VAT or attacking the tax reliefs on mortgage interest payments and pension contributions.

It also urges the Chancellor to institute four major reforms aimed at curbing public expenditure. These are:

A system of "zero based" budgeting. This would in theory mean that departments would wipe the slate clean from time to time to consider from first principles what they should be spending their money on. Under the present system they more or less cootinue doing what they were doing last year with some changes at the margin.

Across the board cuts to departmental budgets.

A special Treasury minister, with officials, to curb spending.

A system which gave personal incentives to departmental civil servants to make economies.

Sir John said yesterday: "A key thrust of the budget submission is that the Government must reject the idea that it can spend its way out of trouble. The aim of policy should be to reduce Government spending and taxation to below the levels when the Government took office in 1979."

The institute would like the Government to encourage wider share *ownership by allowing people* to invest up to 15 per cent of their income in UK companies without paying income tax.

It would also like the Government to move toward the abolition of direct and indirect subsidies, such as child benefit, and replace them with tax reliefs.

Government fiscal plans insult to the unemployed, says Heath

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

GOVERNMENT plans to cut income tax in the next budget are an insult to the unemployed, Mr Edward Heath, a former Prime Minister, told Conservative Party supporters in the north-east of England, one of the UK areas worst hit by lack of jobs.

His all-out attack on the Government's *economic policies was timed* to cause maximum embarrassment ahead of yesterday's House of Commons debate on unemployment and public investment.

Mr Heath told the Sunderland Conservative Association that public spending on infrastructure was badly needed, and should have priority over any tax cuts.

The tax cuts planned by the Government would boost consumption only among those already working, mainly of imported goods, while the impact on employment would be indirect and negligible.

"The proposal to reduce income tax rather than to increase public investment as an inducement to the unemployed to work is, in my view, an insult to the unemployed," he said. It simply ignores them. To suggest that people need incentives to increase their willingness to seek work seems to me to be out of touch with reality."

There were those, he said who argued against public spending on capital projects with accusations of "throwing away money at problems" and trying to spend their way out of recession.

"We can no longer accept such slogans as substitutes for an intellectual justification of economic policy," he said. "Expenditure on the basis of a full and careful examination of oeeds and priorities cannot be said to be throwing away money. If we borrow more of our own people's savings in order to invest in our nation's future, who should condemn us?"

The real problem was the large outflow of British savings to earn high interest in the U.S. – which was denying Britain the investment needed to revitalise industry. Moreover, that was boosting the dollar and weakening the pound, as was evident from the Government's desperate attempt to prevent more capital from leaving the UK by raising interest rates.

It was time the EEC acted to isolate itself from damaging high U.S. interest rates, be said.

"The finance ministers visiting Washington this week will come away empty banded. That makes it all the more important that, nationally and in the European Community, we pursue strategies that are not at the mercy of the high interest rates in the U.S. economy," he said.

Britain needed the money flowing to the U.S. to create jobs by rebuilding old industries and creating new ones, but especially by rebuilding the existing ones.

"Industries cannot be created overnight," he said. "That is why it is such a tragedy that so much of our economic base was destroyed in 1981-82 by allowing the pound to reach such high levels."

Mr Heath dismissed as a "monetarist myth" the Government's claim that to boost public borrowing in order to fund capital projects was to print money, building up debts for future generations.

The decline in the British economy was bearing far more heavily on the north of the country than on the south.

BRITAIN must become a full member of the European monetary system and lead a concerted effort to counter the dominance of the world economy by the U.S., Mr Edward Heath said in the House of Commons last night.

He renewed his attack on the *Government's economic policy* and cited the difficulties of sterling as another example of over-reliance on market forces. His speech was greeted with cheers from opposition benches and muttered protests from fellow Tory MPs.

Sealink plans multi-million £ investment

By Our Industrial Staff

SEALINK, the recently privatised cross-Channel ferry operator, has disclosed plans for heavy investment in new ships and port facilities. The plans include a programme of voluntary redundancies and decentralisation of staff functions.

The National Union of Seamen yesterday described the proposals as "a declaration of war" that would lengthen unemployment queues. Sealink was sold to Sea Containers by British Rail in July last year.

The largest part of the planned new investment, described by the company as running into "hundreds of millions," will develop Harwich as a commercial port intended to rival Felixstowe, higher up the east coast of England.

Sealink is also commissioning two new flagships to operate the Dover-Calais route, at a cost estimated at £20m each.

When the ships are introduced in two to three years time, the two ships at present running the Dover ferry route will be moved to Folkestone.

Other ship investments include a £2m high-speed catamaran ordered from Sweden to operate between Portsmouth and the Isle of Wight. By 1986, three new car ferry routes are to be started up in the Mediterranean, linking Venice, Piraeus and Istanbul.

Britain braced for U.S. tourist invasion

By Arthur Sandles

BRITISH holidaymakers seeking a quiet rural retreat in their own country this year may find they have been supplanted by dollar-rich Americans. Well over 3m Americans are expected to holiday in the UK this year and with London putting up the house full notices many of them will turn to rural Britain.

"All America seems to be coming to Britain," said the British Tourist Authority (BTA) yesterday as it launched its latest issue of a booklet which tells overseas visitors about the nation's smaller country hotels and restaurants.

The most recent problems for sterling have come just at the time when Americans and Europeans are making their 1985 holiday plans and a surge of bookings. The £80 – £100 a night that is charged for double rooms at such luxury retreats as Chewton Glen in the New Forest, or the Bear at Woodstock, near Oxford is now relatively cheap in dollar terms.

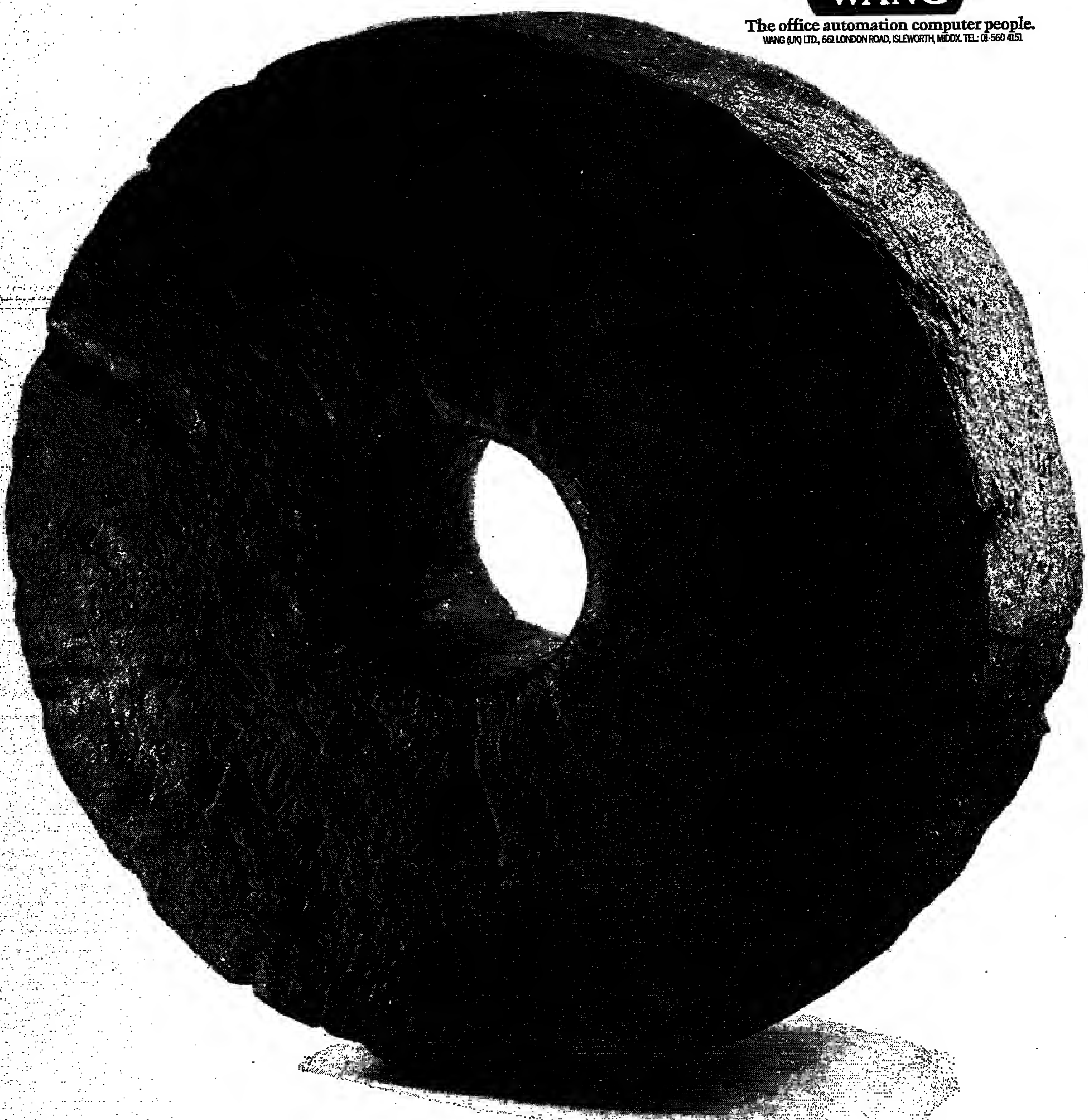
The new booklet, BTA Commended Country Hotels, Guest Houses and Restaurants, covers not only these sybaritic heights, but also small guest houses charging less than £30 for a double room, and some less than £20.

Establishments in the listings have been vetted by an independent committee and display the BTA plaque for distinctive service within their price range. More than 330 properties are listed. "It is becoming the bible for the independent American traveller," says the BTA.

Researchers say that visitors may get a pleasant culinary surprise. "Britain's indifferent image for food is a thing of the past," says Mr Duncan Bluck, chairman of the BTA. "There has been a considerable improvement over the past few years."

● Christie's and Sotheby's, the London auctioneers, report that the decline in the value of the pound has led to a large increase in the number of American buyers.

Leading stores have also reported a big rise in overseas customers, especially from the U.S., during the January sales. London estate agents say that foreign buyers have helped to push the capital's house market to its strongest level yet.

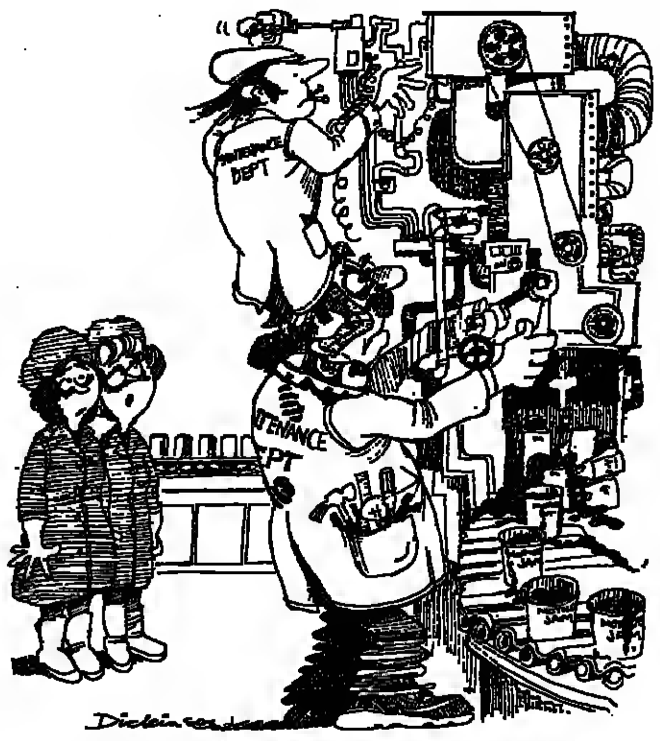


THE MANAGEMENT PAGE

Craftsmen

Benefits of breaking the boundaries

BY BRIAN GROOM



"Now that's what I call flexibility—they're both cross-traded craftsmen"

MAINTENANCE CRAFTSMEN are playing an increasingly crucial role in the future of British industry. Slowly and patchily, management is beginning to realise the importance of retaining and motivating them, broadening their skills and reorganising their work.

Thia small group of workers—5.3 per cent of the chemicals workforce, for instance, and 3.9 per cent in food—is vital to ensure uninterrupted production as micro-electronics is introduced to process control. Breakdowns on a line which, say, fills 450 hottles of sauce a minute are costly.

Among those responding to change, Mobil Oil is abolishing craft demarcations at its Coryton refinery in Essex. Titles like boilermakers, electricians, pipefitters and welders are gone, and each man (they usually ore men) is free to do any task which he is skilled enough to do safely.

Elsewhere the maintenance/production divide is being crossed. Esso Chemicals, on its new site at Mossmorran, Scotland, is combining production tasks and 10 craft trades into a single class of worker who does both maintenance and process work.

Flexibility is increasing at plants like Rothmans' cigarette factory in Carrickfergus, Northern Ireland. Skilled fitters and electricians will, if necessary, do unfamiliar things like load reels on to machines or sweep floors, while machine operators are free to identify and rectify problems.

By no means all managements are adapting well to new technology, however. The London-based Technical Change Centre, established in 1981 with backing from the Leverhulme Trust, the Science and Engineering Research Council and the Social Science Research Council, has identified widespread inadequacies in process industries' use of maintenance staff, resulting in costly downtime.

The centre's latest attempt to help change this situation is a study of food processing, Britain's largest process industry, which employs nearly 500,000 people and accounts for 10 per cent of Gross Domestie Product.

The food industry is rapidly adopting new technology after a slow start. Paul Mitchell and Michael Cross, the authors, say the 41 per cent of establishments in their study which which have introduced microprocessor-based control equipment are coping, but need to develop new manpower and training strategies.

Fifty-three per cent of companies said they would like to reorganise their maintenance workforce, and in half of these proposals were already under discussion. The key aim was to achieve better fault-finding on complex equipment and carry out repairs more rapidly.

Mitchell and Cross see a growing need for multi-skilled craftsmen who can work on new machinery which combines *mechanical*, *electrical* and pneumatie elements. At present delays are occurring while different craftsmen decide in whose trade the fault lies.

These broader skills must, say companies, be accompanied by deeper knowledge of how they apply to specific equipment otherwise the jack-of-all trades becomes master of none. There is already some wariness in industry of multi-skilling, and a fear that it could dilute expertise.

Engineering eraftsmen are traditionally grouped into "electrical," "mechanical" or "instrument" trades, and within these are trained in a particular discipline such as fitting. Companies in the Mitchell and Cross study identify a need for five new craft occupations:

- **Craft technicians.** The most notable development, these are craftsmen (mainly electricians) who have received training in a range of skills like electronics, pneumatics, hydraulics and diagnostics needed to pinpoint faults on microprocessor-controlled plant.
- **System- -specialist craftsmen.** These have an understanding of the relationship between machines and the production process, and are needed because of the increased integration of plant and use of central control systems.
- **Machine-specialist craftsmen.** These would be equipped with the knowledge and skills applicable to a specific type of machinery.
- **Dual-traded craftsmen.** These bave acquired through formal or informal training a skill in a second trade, for example, a mechanical fitter undertaking electrical work.
- **Cross-traded craftsmen.** These have acquired additional skills within their original trade, sucb as an electrician undertaking work in electronics, or a fitter doing pneumatics.

As an intermediate response to ehanging requirements, some companies have organised craftsmen into teams in the hope that they will have the range of skills needed to cope with breakdowns.

In some cases craftsmen are beginning to do work which traditionally belonged to semi-skilled process operators—in one instance, craftsmen were responsible for controlling the plant manually if the automatic control system failed. Conversely, operators are becoming more responsible for identifying faults and making routine adjustments.

A few companies, mainly large ones, are using white-collar technicians to ease the maintenance problem. They are deployed as "trouble-shooters" to back up craftsmen.

On all these things there has been more talk than action. As Mitchell and Cross put it: "While the need is often recognised, few companiea have successfully introduced new grades of craftsmen." But looking to the longer-term, two further new grades are envisaged:

- **Mechanicians.** Proficient in fault-diagnosis and rectification, these would move with ease across the mechanical, electrical and microelectronic fields.
- **User-maintainers.** In factories where plant was most closely integrated, which had the greatest need to respond to breakdowns, the job of the machine-specialist craftsman would evolve into a combined operating and maintenance job.

Much of the training currently being done is by suppliers of process control equipment. Indeed, it ia a major part of the competition between them. One supplier employs 19 full-time lecturers and offers 80 courses.

There has also been some in-company training, but limited in amount. Mitchell and Cross say: "There will be a growing need for training in micro-electronics, diagnostics, cross-trade skills and for specialist training."

Companies are slow in identifying their needs. One training manager said: "Decisions were taken too late. Despite training plans being laid down prior to installation, the amount of training was minimal. Now the plant is up and running, we are still training, particularly in diagnostics."

Needs vary. Chemical and oil refining companies mostly want to keep two "cores" of mechanical and instrument/electrical jobs, but high-volume manufacturers in brewing, toiletries, pharmaceuticals, food manufacture and tyre-making processing, glass container want to merge them.

It remains uncertain how far multi-skilling, tailored to one employers' particular needs, can go. For the sake of their careers, apprentices still need a "core" of transferable skills which form the basis for a lifetime's employment. But the acquisition of extra skills can mean the difference between being in or out of work.

The Electrical, Electronic, Telecommunication and Plumbing Union has recognised that. Seeing the weakness in employers' training arrangements, it has established its own training programme for members.

It also spots a golden opportunity, because employers are generally selecting electrical craftsmen for multi-skilling. They believe electricians have an aptitude for diagnostics, whereaa mechanics cannot easily be trained to learn electrical and electronic work.

The tricky problem facing employers is the way their plans cut across union demarcations, both among craft unions and between craft, general and supervisory unions. Not only are members of general unions the onea most vulnerable to job losses because of automation, they are also worried about being the losers when jobs are merged.

Craft unions can he just as jealous when they feel threatened. One company in the Mitchell and Cross study wanted to upgrade semi-skilled workers to craft status after a period of training, because they bad a superior knowledge of the particular machinery, but the craft unions successfully resisted the plan.

Full flexibility is highly contentious, as British Steel discovered when it mooted the "steelworker concept" two years ago. This would require one class of worker to do all the tasks needed in an automated plant, and it drew union protests. Since then the corporation has had to present its ideas more cautiously.

Applying Process Control to Food Processing and its Impact on Maintenance Manpower; from the Publications Officer, Technicol Change Centre, 114, Cromwell Road, London, SW7;. £5.

Chinese management

Studying at a distance

BRITAIN'S Open University and the China Enterprise Management Association are considering the establishment of a co-operative venture to prodnce material for the education of Chinese managers through distance learning techniqnes. The material would be in Mandarin as well as English.

This has emerged dnring a week-long visit to Britain by a top-level Chinese delegation led by vice-minister Zhang Yan nin of the State Economic Commission. Zhang is directly responsible for the monumental task of training the millions of managers who are needed to implement the New Economic order currently being launched in China.

The British visit, which ends today, forms part of a three-week tour of business schools and universities in Europe. It comes at a time when the Chinese are building up several complementary programmes of management ednecation in co-operation with western institutions. Some use the American case study method, while others are hased on hroader European approaches.

Speaking after his visit to the Open University's Open Business School, and to an interactive videodisc facility in north London, the Chinese minister said: "We are impressed with the great strides Britain has made in developing distance learning, and hope to co-operate with her in training China's managers using this revolutionary technique." (Distance learning in the UK was examined on this page on January 7.)

Vice-minister Zhang, who is also vice-president of the *China Enterprise Management Association* (CEMA), considers that it will be impossible to achieve China's ambitious management training objective by conventional "chalk and talk" methods in the tight time span demanded. Hence his examination of how high technology methods could be used to assemble and disseminate high quality information and skills to his vast audience.

The scale of the problem is so daunting and the experience of most Chinese trainers in management so limited, that it seems attractive to adopt a high-technology approach in which the few experienced teachers prodnce course material, while the dissemination is carried out by less experienced tutors on an "in-company" basis.

Hence the idea of using *interactive videodiscs* coupled with a micro-computer to provide a self-managed learning programme for individuals or groups. This combines moving pictures with texts, and can plot the learners' path through the programme, giving their scores in each section.

The main European involvement in China's fast-developing management development industry has been the European Community's provision *of 5m ECU* to establish the "Sino-European management programme"—an elitist business school in Peking under the auspices of CEMA, which is itself part of the State Economic Commission.

This position gives it unusual status compared with other western-backed business education programmes in China, which operate under the auspices of the Ministry of Education.

The EC-backed school, under Professor Max Boisot, a Briton who formerly taught in France at Insead and the Paris Ecole Superieure de Commerce, is expected to produce over 50 top managers and educators a year. With the established academics, these graduates will help develop teaching materials for the envisaged distance-learning programme.

By a special correspondent

Business courses

New methods for effective management learning: how to build them into your training programme, Uxbridge. February 18-20. Fee: £375. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: (0895) 56461 Ext 215.

Attracting, regarding and retaining computer professionals, London, February 19. Fee: ESC members £136.85; non-members £161.00. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: 0572 822711. Telex: 341352 EURCON G.

FT-City seminar, London. January 28-30. Fee: £500 plus VAT. Details from the Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355.

Kamban Japanese materials management, London. February 7. Fee: £215 plus VAT. Details from B. J. O'Connor International, 10, Aldenholme, Ellesmere Road, Weybridge, Surrey KT13 0BR.

Profit management, Bromley. February 10-15. Fee: £650. Details from the Course Secretary, Sundridge Park Management Centre, Bromley, Kent BR1 3TP.

Sales management, Henley-on-Thames. February 17-22. Fee: £830 plus VAT. Details from the Henley Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Tel: (0491) 571 454.

Automated manufacturing, London. February 20-21. Fee: £506. Details from the Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355.

How effective is your research and development organisation? Uxbridge. February 20. Fee: £155. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: (0895) 56461 ext 215.

Project management, Slough. March 4-8. Fee: £450 plus VAT. Details from the Course Administrator, Urwick Management Centre, Baylis House, Stoke Poges Lane, Slough, Berks SL1 3PF. Tel: (0753) 34111.

Introduction to corporate analysis, London. March 5-7. Fee: £275 plus VAT. Details from D. C. Gardner and Company, 5-6 Bartholomew Place, London EC1A 7HH. Tel: 01-606 7644.

Key issues in technology transfer and the exploitation of intellectual property, Cambridge. March 6-7. Fee: £325 plus VAT. Details from Cambridge Business Conferences, 22 Hills Road, Cambridge CB2 1JP. Tel: (0223) 354978.

THE ARTS

Television/Christopher Dunkley

For real passion, look elsewhere

As we start the 1985 new year season, it is clearer than ever before thet television is beginning to come of age. There is a confidence in its programme-making in practically all departments that was not always evident during the Seventies and was often notably absent in the Sixties.

Its output is more consistent, less capricious, more dependable. The alarums and excursions of its childhood phase have disappeared almost entirely. Technically, the ouput is highly professional. There are more specialised programmes than ever before. You rarely see an out-and-out dud. That, anyway, is how Dr Pangloss would view the new season.

Considering the age of television compared with other forms of entertainment and mass communication—theatre, say, which is several thousand years old, or print, which is several hundred—this may seem remarkable. But they do say that puberty arrives earlier these days and anyway, television has in many respects been a borrower and an adaptor rather than an originator. Indeed, that has often been its charm. One property it has not borrowed from the cinema, or copied from the variety theatre, or adapted from books, or purloined from the sports field, is a technical characteristic: its ubiquity—the fact that it is present and ready for use all the tima in virtually every home In the land.

At best this meant cleverly-channelled passion, at worst undisciplined enthusiasm; and the result between the early sixties and mid-seventies was tha appearance in Britain of an extraordinarily rich harvest of programmes. It includad current affairs, with *World In Action*'s intense conviction that we lived in an unjust society; fine arts in *Civilisation*, carried along by the ardent belief that we needs must love the highest when we see it; comedy, with *Till Death Us Do Part* being driven forward by Johnny Speight's powerful response to bigotry and his deep emotional attachment to working class society; drama, whera Mercer and Potter and a host of others came Into television because they had something they wanted to say to us; and satire

Of course, these programmes had their faults. *World In Action* was occasionally strident or self-righteous; *Civilisation* could be so patrician as to be Indicrous in a mass medium; a saddening number of viewers laughed with, Instead of at, the appalling Alf Garnett; the plays were sometimes impenetrable, sometimes like sermons. Tha fact remains that behind each of these programmes—and a great many more at that time—the viewer could sensa the passionate convictions of one or more individuals as they strove to communicate their concern or their love or their belief or their wonder or their delight.

Where in this new year season of 1985 can we look for similar passion, similar conviction? Of all the programmes I have watched so far this year (47 disregarding old movies and such regular items as news programmes) just two seem to me to qualify. A. F. N. Clarke's *Contact* in BBC2's *Screen Two* was a wonderful and, in the true meaning of the word, swful piece of work which simply conveyed from tha writer and the director Alan Clarke (no relation) to the viewer an appallingly vivid impression of what it is like to be a member of the Parachute Regiment patrolling the countryside along tha Irish border.

Perhaps more than 10 words were spoken but it did not feel like it: the experience was contained in the writing, Clarke's direction, Philip Bonham Carter's immaculate camera-work (which fooled you repeatedly into believing that you were watching a documentary), and acting from Sean Chapman and his "platoon" which never faltered. The irony is that it took a drama programme to convey all the fear and loathing, as well as hinting at the pride and professionalism, of these men whose activities reach us normally only via news programmes on those occasions when drama has suddenly entered their lives.

The other programme—somewhat surprisingly, perhaps—was Central's *Spitting Image*. The first series, though highly original in its usa of Luck and Flaw'a puppet caricatures, just wasn't very funny; but the first episode in this year's series was a huge improvement, largely because of greater pace and a *better script. It stands out* from the rest of the new year material because there is an edge of real feeling behind some of the jokes. Amid so mnch sycophantic adulation of the Royal Family, for example, a few belly laughs are no bad thing.

Peter Barkworth and Harriet Walter in The Price

Tha rest of the new season's series appear to have scarcely an ounce of conviction or a spark of passion to share between them—though that is not to say that they are bad programmes. On the contrary, several are excellent. *The Price*, for instance, a Channel 4 thriller devised by actor Peter Barkworth, written by Peter Ransley, directed by Peter Smith and produced by Mark Shivas, is the best thing of its sort to be made in this country for several years. Its story of an insensitive compoter millionaire whose young wife and step-daughter are kidnapped by Irish terrorists is fast, authentic, realistic in all Its surface elements — cars, locations, clothes, supporting players and supremely moreish.

In this, it contrasts sharply with the opening 100-minute dollop of London Weekend's mid-Atlantic *Dempsey and Makepeace*, which is distinctly lessish. A cynical amalgam of boy/girl detective duo, with endless absurd stuntwork which appears to have been worked out before the pitifully-contrived script, it looks as though it was dreamed np by a programme salesmen'a committee.

There is nothing wrong with BBC1'a documentary series *Submarine*, but what inspired ii? Presumably, tha fact that last year the BBC did the Paras and, the year before that, the RAF.

Thames Television's Fleet Street drama series, *Lytton's Diary*, is unique in substituting real Fleet Street terminotogy and habits for that green eyeshade fantasy which television has indulged for so long. But rather than any feeling that Ray Connolly was dying to write it, one felt that actor Peter Bowles might have invented the whole thing for himself . . . which, it seems, is precisely what did happen.

Alan Plater's *Beiderbecke Affair* (an entire series seemingly built around some missing mail-order LPa though, unfortunately, lacking the maestro's music) is a marvellously-professional piece of programme-making from Yorkshire TV: a subtly-modulated comedy-drama in 60-minute episodes with no canned laughter; James Bolam playing the deadpan straight guy which he does best; Barbara Flynn (one would call her the thinking man'a Felicity Kendall if one weren't in love with Miss Kendall) as his colleague schoolteacher/lover; and a script which sometimes puts me in mind of Chartes Wood'a *Don't Forget To Write*. There is no higber praise.

BBC1's *Real Lives* opened with a highly efficient kick-the-door-down documentary about drug dealing on Merseyside; *Anna Of The Five Towns* on BBC2 is another triumph for tbe property-buyer and the location-finder; and although BBC1's *Charters and Coldicott* started too slowly and put the lower middle-class solecism "Welsb rarebit" into the month of one of its supposed gentlemen, it could yet provide much satisfactory entertainment. *By The Sword Divided* dealt this week with the pivotal point in British constitutional history, the beheading of Charles I, in a perfectly adeqnate way.

If the satisfactory and the adequale are wbat you want, television is getting pretty good at it. For true conviction and real passion look elsewbere.

Magazines announce theatrical awards

Two theatre magazines have announced their awards for last year, and the National Theatre continues to register plaudits for Michael Frayn's Chekhov recreation *Wild Honey*. Plays & Players, which takes a poll among 20 London critics, has followed last month's Laurence Olivier Awards in giving the show a triple blessing to Ian McKellen (Best Actor), Christopher Morahan (Best Director) and John Gunter (Best Designer). The quarterly Drama magazine has also nominated Mr Morahan as Best Director, though he must share the honour with his NT colleague Peter Gill, who was responsible for *Venice Preserv'd* and Fool *for Love*.

Glenda Jackson is voted Best Actress in both journals for her performance as Nina Leeds in O'Neill'a *Strange Interlude*. Drama's Best Actor award is sbared by Antony Sher for Richard III at Stratford-upon-Avon and by Brian Cox for both *Rat in the Skull* at the Royal Court and his support work in *Strange Interlude*. Both of these latter productions will shortly be seen in New York.

The critics in Plays and Players voted Michael Frayn's *Benefactors* the Best Play and *42nd Street* Best Musical. The corresponding Drama awards went to Harold Pinter's sbort but powerful *One for the Road* and the Rodgers and Hart 1936 *On Your Toes*.

Drama's Best Designer was Alison Chitty for *Venice Preserv'd*, its Best Supporting Actors Zoe Wanamaker (for the RSC's *Mother Courage*), and Roger Lloyd Pack for *One for the Road* and *Wild Honey*. Special awards went to the Graeae *Company* and Ray Cooney's Theatre of Comedy set-up.

Plays and Players split its Most Promising Newcomer award between Clive Mantla in *Of Mice and Men* and Tim Flavin in *On Your Toes*. The Most Promising Playwright was adjudged to be Anthony Minghella, just recognition for his three plays last year: *A Little Like Drowning* at Hampstead, *Love Bites* at the Derby Playhouse and *Two Planks and a Passion* which arrived at Greenwich from Exeter.

Frank Baker and Bernard Strother in Woyzeck

Woyzeck/Haymarket, Leicester

Michael Coveney

After Molière and Euripides, the Leicester Haymarket studio company, a fine compitation of actors under the directorship of Nancy Meckler and Les Waters, offers Büchner's brusque and extraordinary play in a production by Mr Waters that has its moments and sustains an hynotic eeriness over 90 uninterrupted minutes without quite hitting the heights.

It is easy to think of *Woyzeck* as a studio piece because of its sawn-off fragmentary nature. But there are *woods, vistas* of open land, a fair ground and the final disappearance of the eponymous soldier-murderer wading deeper into the pond. One of our leading young actors aches, apparently, to bave a go in the Olivier. Perhaps he shonid be encouraged.

A little dry ice seeps dutifully into Annie Smart's stark and effective design of wooden shavings, uniformly slanting slender tree trunks and a wbite muslin surround. But Bernard Strother as the strained aod haunted Woyzeck has no pond to enter: Tbat scene is replaced hy a manufactured autopsy on the two corpses—Woyzeck's and Marie's—by the doctor and the caplain. Tbis interpolation follows the 1971 German edition by Werner Lehmann which the late John Mackendrick translated in 1979. The Lehmann/Mackeodrick version works well with the edition of the autopsy scene used io other edltions. No point In being too purist about this piece. And Mr Waters moves the opening shaving scene inio the middle of the play, thus allowing Andres (Vincent Ebrahlm is very fine with *few* words as Woyzek's friend) to top and tail the action with a fateful snapping of forest twigs.

Woyzeck always seems modern because of its utterly convincing psychology, its accurate Darwiniao and medical allusions, its economic startling declarations of major crises, its portrait of an ordinary man unable to comprehend his intimations of patterns tn mushrooms, whispering of underground Freemasons. "People like us don't have any virtue," Woyzeck tells the captain as be shaves hlm. And what indeed will someone like Woyzeck do with all that eternity? Dream of bloodstains in the moon.

Woyzeck is both the dregs and the specimen, and Frank Baker's captain and Linda Bassett's superbly Incisive doctor leave blm reeling in a miasma of indecision and guilt. From thet uncertain condition explodea Woyzeck'a sexual jealousy of Marie although I wouin say that genuine sexual heai was an element the production sorely lacks. No reflection on eitber Mr Strother or the fine Hazel Ellerby as Marie. But the director imposes an Impressive decorum on the play without unleasbing its diabolic nature. The staging is striking, but a bit experimentally laundered. After the double autopsy, the Grandmother (Adrienne Thomas) caps her speech about tbe orphan wbo discovered the moon io be a piece of wood with a mysterious meander through the wooda, her eyes lit up like small red bulbs on a Christmas tree; and the chorus of "Four and twenty virgins" emanating from shadows In a roseate cyclorama sounds an unlikely rendering of an early 19th century Hessian folk song.

Woyzeck remalns an enthralling and challenging tragedy. The Leicesler studio, a pleasant, unoppressive arena with seating for 150, presents an engrossing and slickly organised account of a play that remains ripe for a treatment of full-scale shattering unruliness.

Obituary/Sir Robert Mayer

There can be few men to whom the conspicuous growth of good music in Britain owea as much as to Sir Robert Mayer, founder of the children's concerts that bear his name, who died on January 9, aged 105.

Mayer was born in 1879 in Mannheim to Jewisb parents of prosperous middle-class stock. His father, a hop-merchant, was proud of being the first man to persuade Guinness to buy German hops. Like most German clties of any size, Mannheim bad a flourisbing musical life aod also welcomed distinguished visitors — Mayer remembered being patted on the back as a boy by Brahms. But though music was encouraged actively in the bome, it was not approved as a profession. The young Robert was sent to Loodon io work in the metal business, where be did welt.

Some 25 years later he and his wife — the singer Dorothy Moulton, wbom he married in 1919 and with wbom he formed a ctose and constructive partnership until ber death in 1974 —decided to organise In London soma concerts for school children, on the lines of those given by Walter Damrosch in New York.

The first concerts, given at the Central Hall, Westminster, in 1923 were a great success under conductor Adrian Boult. When Boult went to Birmingham, a young musician called Matcolm Sargent, recently noticed at the Proms conducting a work of his own, was chosen by the Mayers to succeed him.

Except for a period of illness, Ssrgent remaind in cbarge of the concerts up to World Wer Two. Under bis energetic and popular leadership they spread, first to the periphery of London (including districts where adults, let alone children, had never beard good music), then to the North, and subsequently across Britain. In 1974, responsibility for the series was taken over by the BBC.

When peace returned Mayer soon was In touch with the Continental movement Les Jeunesses Musicales, which prompted him to form a British equivalent, Youth and Music, starting — as far as age was concerned—more or less where the children'a concerts left off. In 1969, the Queen ettended a gala concert at the Festival Hall to celebrate Sir Robert's 90th birthday, and she was at the Atbert Hall a decade tater for his 100th—having attended her first Mayer concert in 1932 aged six.

The good done by this modest, extremely shrewd conple cannot be exaggerated. Mayer's imaginative understanding of wbat was needed extended not only to young listeners but to young performers. He was instrumental in organising British participation in the Festival of Youth orchestras at the Brussels World Fair, and was concerned with improving the method of selecting candidates for international music competitions—a sphere in which Britain lamentably failed to abine.

Mayer's influence was hardly less important in adult music-making. In *My First Hundred Years*, an address delivered to tha British Institute of Recorded Sound and later published, he claimed thai the International Society of Contemporary Music "was practically born in (our) house"

He was knighted in 1939, and made Companion of Honour in 1973. He received the German Grand Cross of the Order of Merit and honorary doctorates from the Universities of Leeds and Cleveland, Ohio.

Sir Robert's last years were dogged by *arthritis and financial* problems but, at the age of 101, he married Jackie Noble, his companion of two years who then was 51.

Swan Lake/Paris Opéra

Clement Crisp

The first thing that needs to be said abont the new *Swan Lake* that Rudolf Nureyev has just staged for his Paris Opéra ballet is that it is magnificently danced. What more rewarding than the sight of that huge atage massed with dancers in whom tha proprieties of classicism — exact positions; clear articulation; bold ontlines —are to be enjoyed not only with étoiles and soloists but in the depth of the ensemble? I was ever aware, watching three performances at the weekend, that for the Opéra's artists the *danse d'école* is a point of constant reference and continuing strength; their finesse and an evident pride in their prowess give an exhilaration and a profundity to movement which is foreign to our resident troupes. The three debutant Odette/Odiles whom I saw (their Siegfrieds also making first *appearances*) were impeccabla in technique, meeting every *challenge with that assurance which* speaks of roles fully prepared, technical demands understood and eagerly met.

Nureyev's staging Is idiosyncratic, bnt this is no rarity with *Swan Lake* which, of all the 19th-century classics, is most generally subjected to revision and distortion. For Nureyev, the action bas much to do with the inner world of Siegfried's desires. Curtain rise shows the young prince dreaming of a beautiful girl whom we see transformed into a white swan and abducted sky-wards by the black-winged enchanter, von Rothbart. Nureyev further compounds the plot'a intricacies by having von Rothbart as the "dark" double of Siegfried's tutor (the roles taken by the sama dancer) with the tragic resolution to this conflict between the reality of Siegfried's princely duties and his obsession with tha dream-Odette coming when von Rothbart again flies the betrayed Odette back to his realm leaving Siegfried alone and deranged.

Tha choreographic text is largely new. Nureyev provides complex (and sometimes over-complicaled) dances for the courtiers in act one; offers a Soviet-style view of Ivanov's act two; reworks the national divertissements for large ensembles in act three and brings on von Rothbart as an active participant — with an interpolated solo — in the Black Swan duet; and choreographs a new fourth act that is markedly succesful in its waves of swans wbo curve snd beat over the staga around tha doomed lovers, movement making admirable use both of the corps de ballet and of the atage size.

About Ezio Frigerio's design discussion is hampered in that a technical mishap permitted *the use of only two back-drops* — one like a mock Turner of his Italian period; tha other, so said the programme, inspired by Monet'a garden at Giverny. Franca Squarciapino's costumes for the court are in pale shades, reminiscent of both pre-Rapbaelite painting and the Aesthetic movement, mingled with a stiff mediaevalism for the supernumeraries. The effect is agreeable, though hardly consistent.

The Opéra proposes no less than eight ballerinas for the central role, with seven Siegfrieds, some indication of the company's wealth of talent, both in *étoiles* and in newcomers (among wbom the 19-year-old Sylvie Guillem has excited considerable attention at ber debut). I saw the first appearancea of the *étoile* Monique Loudières, and of two soloists, Karin Averty and Isabelle Guerin. Mlle Loudières made *a pure, sensitive first shot* at the role, with Jean-Yves Lormeau as a handsome prince. Mlle Averty was altogether too immature for the part, and her Siegfried, Stéphane Prince, seems an artist better suited to livelier, demi-caractère matters.

The performance of Isabelle Guérin, though, and that of ber partner Laurent Hilaire, were wbolly exceptional. Mlle Guérin provided an Interpretation so rich in feeling, so expressive in dance, that she at once establishes herself as an Odette/Odile of real importance. She bas a Russian openness and fluidity of back and arms, s technique that offers the most delicate phrasing, and a musical understanding that sets emotion coursing and flowing with the dance.

Hers was a wbolly convincing reading from first to last, and beautiful at every moment.

Laurent Hilaire, with a powerful, well-rounded technique and a massive jump, matched his Odette's expressive gifts in sbowing ns a Siegfried ardent in feeling as a dance. The only real distraction in this *magnificent debut*, or *with the* other performances, was in the lack-lustre playing of the Opéra orchestra, quite unworthy of the dancers or of the theatre.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

Jan 11–17

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine'a book which changes gears in the second act. (239 6262).

WASHINGTON

The Marriage of Figaro (Folger): The company's own adaptation of the Beaumarchais script will also use Mozart's music and da Ponte's libretto in an ambitious eclectic production. Ends March 10. (546 4000).

LONDON

The Real Thing (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving *Courage pushing her elaborate cart* of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Phedra (Old Vic): Glenda Jackson remarkable as the nearly incestuous tragic queen in a thrilling production by Philip Prowse. Costumes of shot silk and taffeta, and Robert David MacDonald's translation bravely takes on the challenge of Racine's untranslatable Alexandrines. Gerard Murphy, Tim Woodward and Georgina Hale in a strong cast. (928 7616).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

In the Penal Colony/ICA

Michael Coveney

On entering tbe ICA Theatre, you are tnviled io inspect an unpleasant sieel instrument. A grey stone missile lurks in its tensile crossbow. An actress with a microphone, accompanied by a cameraman, elicits banal responses io questions like "What do you think of it?" A smooth-tongued actor tnterrupts her with a flowing pretentious speecb about the weapon's artistic value. After ten minutes, tbe stone is drawn back and released to shatter a large pane of glass ten yards away. Rather gruelling, all this. You can then sit down as the entire space opens out to reveal chairs banked up at the fer end and, behind the shattered glass, a harness of torture.

Pip Simmons, who would make liberal voyeurs of us all, is back in London with a startling free adaptation of Kafka's short story in a co-production with the Mickery Theatre of Amsterdam. A programme note about the environmental use of live video work in the Amsterdam version proves tatalising: here, we have five screens on which pre-recorded action jostles uneasily wilh the actuality of performance.

Kafka's apparatus of execution was not this sort of Roman ballista, designed by Alex Mavro who also plays the condemned man (a nice Genelesque innovation, this, of the artist as criminal), but it woutd be Impossible to reproduce on stage the grisly details of his infernal harrowing machine with its inscribing needles and bloody troughs and spittoons. Kafka'a penal settlement was in the tropics, his explorer a Western Investigator studying criminal procadures and modes of punishment.

Kafka's commandant, whom wa never meet, is here the smooth-tongued actor, Chris Jordan, playing a jaunty hymn to Justice on the piano at the prisoner's last supper. Mr Msvro chokes on his food, vomits and is then strapped in the haroess. The TV girl and ber camersman are the explorers; the prisoner and the executive officer (Trevor Stuart), who fondly attends the balllsta and barks back to the good old days of real crowds at public executions, seemingly South African.

The Castle, *The Trial*, *Metamorphosis* — all those stories hava yielded rich theatre pickings, and it is Pip Simmons's specisl achievement to forge a direct connection, as Kafka does, betweeo the audience and the weapon. At one point, tha machine swings round of its own volition in a full circle, raking the seats under which most of us were quickly cowering.

In ihe company'a delightful Dostoevsky adaptation, the Ridiculous Man was saved on the brink of suicide by a vision of Paradise; the prisoner is saved here by the TV girl's arguments for humane dlspensations of justice. But a shocking irruption in the early promenade moments — of a pregnant protester baemorrhaging violently — is echoed by tha mititary guard (also played by Sheila Burnett) shooting tbe officer, now atripped to hia long johns and inversely suspended in the harness. *Blood* will bave blood.

Something of Kafka's Incisive, sardonic argumentation is lost, partly in the adaptation (by Simmons bimsetf), partty in the Imperfect articulation of Mieke Visscher's otherwise ideally vacuous interviewar. While I would not place the occasion in the vintage middle-period Pip Simmons class of either *An Die Musik* or the stunning automated glass world of Zamyatin's *We* (aod why did nobody put *that* show on in 1984?), it still confirms the group's flair for making stern spectacle of all that is most unpleasant in our lust for power. Tbe show'a atrongest image is atso its quietest, however: the sight of Mr Mavro patiently, vainly, collectiog pieces of abattered glass after the explosion.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

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Why BNOC is redundant

NORWAY'S SIGNAL this week that it intends, in the short term at least, to set the price of its North Sea crude oil in line with market levels was not as exciting a development as the foreign exchanges thought, but it was a useful reminder that important issues remain unresolved about Britain's oil pricing policy.

It bas been clear for some time that the British National Oil Corporation wants to change to a Norwegian-style arrangement, but has been halted midstream by a UK Government anxious lest such a move further destabilise an already weak oil market and be interpreted by Opec as an act of hostility.

The result is that BNOC is selling its crude at negotiated prices based upon spot market levels, but is stalling at the Government's bebest on supplier prices. Those who bave supplied BNOC with oil this month do not know wbat price setting for both sale and purcbase of BNOC crude, this supplier price will in effect be the new "official" BNOC price.

The case for switching to market led prices is so strong as to be almost unanswerable. The idea that BNOC or even Opec sets the price of oil rests upon a fallacy. Opec belps to set the price, because it helps to determine the level of supply. BNOC plays no part in determining the level of supply and therefore bas no genuine role in setting prices. Indeed BNOC is the servant of a government whose priority in oil policy has been to maximise output at a time of weak demand. This production policy bas in the last year had a much greater impact, in a downward direction, on the price of oil than BNOC's overpitched official prices have had in the opposite direction.

The costs to Britain of this self-contradictory behaviour bave been beavy trading losses at BNOC and a series of diplomatic crisis with Opec, which has fixed upon tha issue of BNOC's pricing policy, having despaired of persuading Britain lo restrain production. But the notion that Britain sets oil prices has stuck, fostering a vagua feeling that since sliding oil prices are to blama for problems like tha recent run on sterling, UK policy should focus upon shoring up oil prices. If higb oil prices are in Britain's best interest — a highly questionable proposition — there is no point boping that BNOC can deliver the goods. deal with Opec on production restraint might work, but any reduction in UK North Sea output would very likely be gobbled up by dollar-hungry Nigeria, or one of the other producers of light cruda whicb have surplns production capacity.

However, if BNOC does not work as a price setter, what is its purpose? The official answer is that it would be a means for securing UK access to oil in a supply crisis. BNOC also works as an effective agent of government in setting, indirectly, the price of oil used by the Inland Revenue to tax the oil industry. BNOC, it is said, offers a defence mechanism for the government against being taken to the cleaners by clever oil company transfer pricing arrangements.

But none of these arguments seems quite good enough. A statutory basis already exists for an alternative approach to any supply crisis. Setting a tax reference price would be somewhat more complicated than merely using a notional official price, but since the Inland Revenne maintains it does not rely solely npon official prices anyway, the transition should not be too difficult. Tax reference prices are established without too much fuss in other oil producing countries. The problem of policing transfer prices is one the tax anthorities cope with in other multinational industries.

Scaling down

The practical task of dismantling BNOC could also be accomplished without too much disturbance. The corporation, it is true, has a web of legal participation agreements with oil companies which require periods of notice of around one year to terminate, but the Government could easily announce that it will immediately start the process of scaling down BNOC by no longer passing to BNOC the oil it takes from North Sea producers in the form of royalty.

Opec's threat that such a move would trigger a price was is probably bluff, since it would not be in the interests of any of tha Opec members, except perhaps Saudi Arabia and Kuwait, to deploy such a tactic. If they did deploy it, self-interest would dictate that it would not last too long.

Peace prospects for Cyprus

THE face-to-face meeting in New York tomorrow between President Spyros Kyprianou of Cyprus and Mr Rauf Dentasb, the leader of the self-styled "Turkisb Repulic of Northern Cyprus," opens up the first genuine prospect for a Cyprus settlement for many years.

It is certainly true that the tragic bistory of the Mediterranean island since it became independent in 1960 should serve as a warning against any exaggerated optimism at the beginning of what is bound to be a very long and arduous nego tiation. But it is also clear that recent development beve created a climate in which, at last, both sides are prepared to make the kind of concessions which make an eventual agreement more than just a pipe-dream.

The most obvious credit for bringing about the summit meeting must go to Mr Perez de Cuellar, the UN Secretary General who, with infinite paticnce and skill, managed to lay the groundwork for an outline agreement during a series of "proximity" talks at which be acted as mediator, without the two sides ever speaking directly to each other.

Mr Perez de Cuellar, bowever, could never have succeeded in his delicate task if other factors had not conspired to belp him. Not the least of these is the rare, if unspoken and unwritten, consensus of the super-powers that they would like the Cyprus problem amicably settled through the creation of a federal, bi-zonal, bi-communal and, probably, non-aligned state.

For the U.S., the constant tension caused between Greece and Turkey by the absence of a solution of the Cyprus problem, is an element of dangerous instability on Nato's vulnerable south-eastern flank.

For the Soviet Union, the attractions of a non-aligned state in this strategic region of the eastern Mediterranean, located only a sbort distance from Lebanon, Israel and Syria, are obvious. Moscow plainly does not relish the prospect of a Cyprus permanently divided into two independent states, both of which would adhere to the Atlantic Alliance.

The U.S. influence has been particularly apparent on the Turkish side. Probably anxious to make sure of congressional approval for the renewal of U.S. military aid to Turkey, Ankara has persuaded Mr Denktash to make a series of concessions over the past few weeks which would bave been inconcelvable before the UN Secretary General's mediation efforts.

The more accommodating Cypriots has been matched by stance adopted by the Turkish a much more realistic and flexible attitude on the part of the Greek Cypriots.

There now appears to be a broad but incomplete agreement on a number of fundamental issues. Mr Denktash has reduced his territorial demands from tha 37 per cent of the island beld by the Turks at present to some 29 to 30 per cent in a new federated state. The Turkish Cypriots have also given np their demand for an alternating presidency between a Greek and Turkish Cypriot representative, contenting themselves with the post of vice-president and foreign minister.

Sticking points

There is a whole range of problems, bowever, which have not been settled in advance of tha New York meeting. The biggest sticking points are likely to be the system of guarantees for the new federal state, the timetable for the withdrawal of Turkish troops from the island and tha Greek Cypriot demand for the absolute freedom of movement, settlement and right to property anywbera within tha new state.

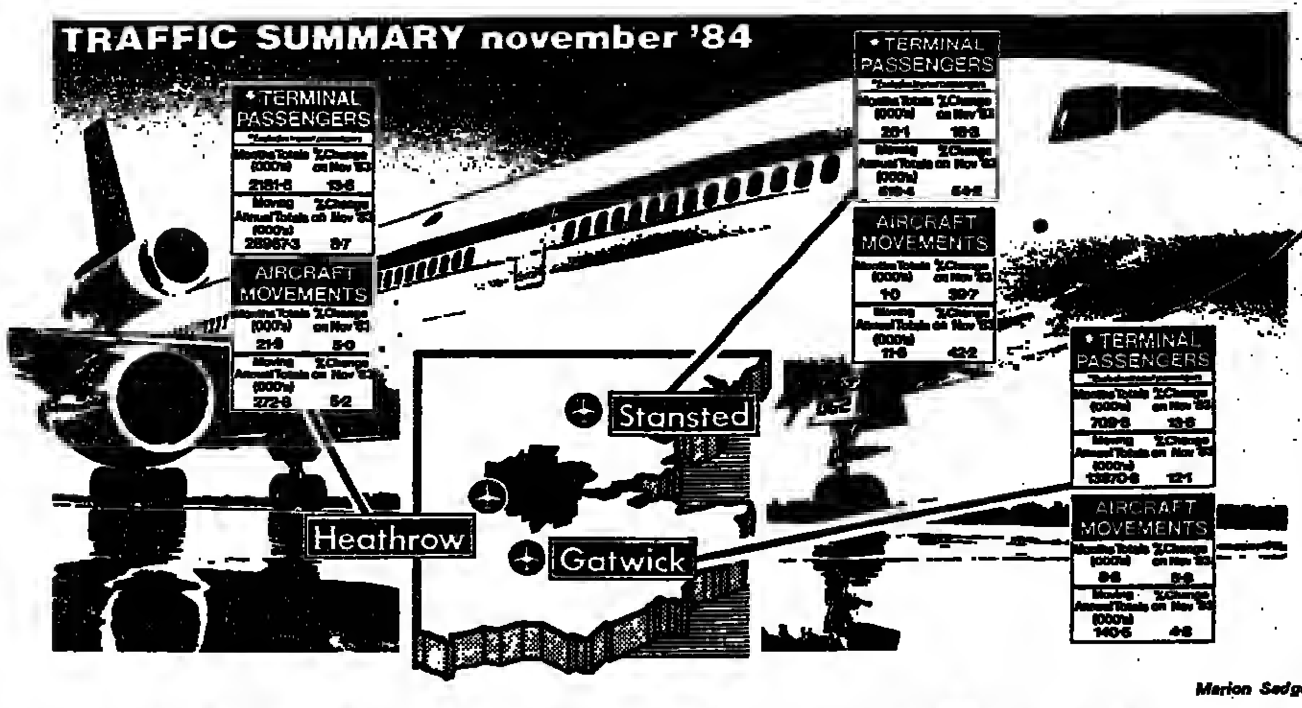
With Mr Denktash insisting that Turkey should be one of the guarantor powers and the Greek Cypriots demanding some kind of international guarantee, possibly involving the United Nations, the obvious compromise appears to be a continuation of the present arrangements.

The meeting between President Kyprianou and Mr Denktasb is unlikely to do much more than lay down the framework for more detailed negotiations, which may last as long as a year or 18 months. What is important is that both sides realise that the moment is ripe for an agreement and that such an opportunity may never arise again.

THE FUTURE OF BRITAIN'S AIRPORTS

Why Ministers are boxed in

By Michael Donne, Aerospace Correspondent



Marion Sedger

THE FORTHCOMING Commons debate on UK airports policy is likely to be crucial in influencing the Government's decisions on the future development of airports for the rest of this century and beyond.

On the one hand, the Government is boping the debate will take some of the heat out of the situation, and thus help it settle long-term policy in a calmer atmosphere. On the other, MPs of all parties are hoping for at least some preliminary indications of official thinking.

Many questions, bowever, remain unanswered, notably what to do about providing extra capacity at airports in the south-east, to meet the growth in demand anticipated by the year 2000.

This can be done either by developing Stansted, or by building a fifth passenger terminal at Heathrow, or by doing both, a proposal suggested by Mr Graham Eyre, the inspector at the 2½-year public planning inquiry into the south-east problem, and endorsed yesterday by the air transport industry.

At the same time, however, the airport authorities in the Midlands and the North are clamouring for more resources to expand their own facilities. They base their case on the current economic imbalance between the North and South which, in their view, will be emphasised further by outlays of £1bn or more on Stansted and Heathrow. This money, they believe, could be used to better long-term effect by tbe northern airports.

Another question is what to do about the Scottish lowland airports — should Prestwick be abandoned as a major civil airport, with more emphasis on Glasgow and Edinburgh, especially for transatlantic operations? Meanwhile, efforts to privatise the small handful of Scottish Highlands and Islands airfields, run by the Civil Aviation Authority, have flopped with only one firm offer for one of the seven involved, and only four other expressions of interest.

Overshadowing everything is the additional issue of how and when to privatise tha British Airports Authority, which owns some of the biggest airports in the country, including Heathrow and Gatwick, and tha ultimate privatisation of British Airways, which is the biggest user of Heathrow and the prime mover behind Terminal Five at Heathrow.

The delay in settling airports policy is now causing considerable concern to airlines, British and foreign, but especially to the former. Many bave ambitious expansion plans for the rest of this century, requiring substantial investments not only in aircraft but also in plant and buildings. They are anxious to know the Government's own long-term airport development plans and would like a reasonable assurance that those plans are not liable to subsequent changes for political, economic or environmental reasons.

The crux of the problem is the inexorable growth of air transport. UK air traffic currently runs at over 64m passengers a year, of which about 46m are handled in the south-east (Heathrow, Gatwick, Stansted and Luton), and the rest elsewbere. Heathrow alone accounts for over 29m a year.

The overall growth rate last year was close to 10 per cent, far larger than was anticipated even during the public planning inquiry in 1982-83. Revised forecasts from the Department of Transport show that by 1990,

To reject Maplin was a mistake in retrospect

total UK air traffic will lie between a "low" of 80.1m and an upper limit of 100.8m passengers, of which 54.5m to 66.5m are expected to be in London and the south-east. By the end of the century, traffic will have reached between 105.8m and 172.8m for the country as a whole, with the south-east accounting for anything between 74.1m and 118m.

The wide gaps between tha "low" and "high" forecasts reflect the difficulties of forecasting a volatile industry like air travel. But they do indicate how rapid the growth could be.

The focus in the forthcoming debate is bound to be on the controversial plan to develop airports in the south-east, based on meeting a mean of about 60m passengers a year in that area by 1990, and a mean of about 96m by the end of the century (though with every prospect that the higher forecasts will be the ones actually approacbed or even reached). The British Airports Authority is taking no chances and will be working towards the higher forecasts.

On thst basis, Mr Eyre recommended developing Stansted (with only one runway) from its present capacity of about 2m passengers a year (actual traffic is just over ½m), to 15m. Together with existing developments at Gatwick (a second terminal) and Heathrow (Terminal Four), this would ensure total capacity for the London area (including Luton) of about 81m passengers a year by 1990, well above the DoT's "high" forecast for that year, but still below the high forecast of 89.8m for 1995.

For the period beyond that, up to the end of the century, Mr Eyre recommends a fifth terminal at Heathrow, which would add another 15m to that airport's capacity (bringing it to 53m), and ensuring that, by the year 2000, London and tha south-east could cope with some 96m passengers. This at least would match the mean in the DoT's forecasts. A longer-term "expansion chamber" option would still exist, through lifting Stansted by a further 10m to a total of 25m a year, but with only one runway.

So much for the theory. Tha Government's problem is that virtually nobody wants to see Stansted grow, while the environmental lobbies around Heathrow are just as antagonistic to any Terminal-5 there. Gatwick is already committed to its limit of 25m, with no possibility of a second runway since tha available land has been nsed for other purposes.

The Government is thus boxed in, with virtually no possibility of manoeuvre. The possibility of any "greenfield" site—starting from scratch somewhere else—is eliminated on cost and environmental grounds. Mr Eyre rejected any notion of resuscitating Maplin on reclaimed land off the Essex coast, and be likewise rejected any other greenfield development in tha Homa Counties or even as far aficld as Severnside.

It is increasingly obvious that the Labour Government's rejection of Maplin in 1974—made on economic grounds after the first oil crisis—was a short-sighted mistake. Had this opportunity been grasped, Maplin would bave been operational by now, together with a new seaport for London and major economic redevelopment of south Essex. Nona of the current airport problems would have arisen. T-4 at Heathrow and T-2 at Gatwick would not have been needed, T-5 at Heathrow would not have been even considered, nor would development of Stansted. Whether at the time airlines wanted it or not, Maplin would have saved much subsequent bother.

Where, then, does the Government turn? The Consortium of the North, representing the regional airports in the Midlands and the North of England (primarily Manchester and Birmingham), argues that their airports offer a viable alternative.

They claim that the £1bn-plus of cash due to be spent in the south-east could, and should, be devoted to them. While there is, undeniably, a case for expanding northern airports in their own right, it is wrong, as Mr Eyre points out, that it should ba done at the expense of tha south-east.

As Mr Eyre emphasises, airport developments can encourage traffic growth, but cannot fundamentally generate it. Traffic, be says, is primarily the result of deeply-rooted economic trends in the areas concerned, to which airport developments respond. The planned growth of Stansted and Heathrow is designed to meet demand already anticipated from the growth of tourism, trade and industry in the south-east. That traffic, much of it international in origin, will not automatically divert to the North just because it is denied access to the south-east—indeed, much of it would probably not come to the UK at all.

Nevertheless, the northern airports have a strong case for more generous Government attitudes. The Government had an opportunity just before Christmas, to take a more liberal stance in encouraging foreign airlines' desires to serve the regions.

Instead, it rejected a Singapore Airlines plan to fly to Manchester. SIA was told it could have a Manchester frequency if it cut one out at Heathrow — a move which aroused SIA suspicion that this was done purely to protect British Airway's interests prior to privatisation.

The northern airports have a strong case

The short-sightedness of tha UK's attitude means that tha Singaporean Government's and SIA's goodwill has been strained, Manchester does not get a major new air service, and BA's position has not really been affected. Besides, BA has always declared that it is not afraid of competition.

There is also considerable resentment in the regions at tha way in which local authorities' planned spending on airports is constrained by the Government's own current limitations on all local authority spending. The Government recently announced approval for spending of £31m on local authority airport developments in 1985-86 in the regions, considerably less than what was being asked for (one estimate is £55m).

With all immediately available options in the south-east already taken up (T-4 at Heathrow and T-2 at Gatwick), and with diversion of traffic to the regions not really an effective substitute to meeting anticipated demand in the London area, the Government has little option but to take seriously Mr Eyre's suggestions for developing both Stansted and T-5 at Heathrow.

Whichever happens, the Government's decision will seriously upset somebody. There are no votes in airports, and as Mr Eyre has pointed out, the time has come for permanent solutions to a problem that has bedevilled British aviation for close on 30 years. Time thus seems to have run out for Stansted. Economic logic dictates that Stansted, an airport for over 40 years, with one of the longest runways in the country, should be developed well beyond its existing half a million passengers a year. A hugely underutilised airport, it has sat slumbering in the Essex countryside, defended by a vociferous middle-class environmental lobby, while communities around Gatwick and Heathrow have seen their local airports grow, with ever-bigger work-loads and environmental problems loaded on to them. Successive efforts to develop Stansted, however, have been beaten off regularly, and judging by the attitudes of many MPs, even Mr Eyre's cogently argued recommendation for its expansion to 15m passengers a year could yet be defeated

Mr Eyre's solution—developing Stansted initially to 15m passengers a year by 1990, with an option to go to 25m, followed by raising Heathrow to 53m by the end of the century—may be far from ideal But it seems realistic in the light of the limitations confronting tha Government. Greater use could be made of the regions, but the fundamental requirements of air traffic to come to London and the south-east must limit the Government's room for manoeuvre.

In making up its mind, tha Government faces a further problem—that of the credibility of the public planning inquiry procedures in the UK for settling major development issues given the fate of so many internal and external studies into tha airports problem over the past 30 years. Rejection now of Mr Eyre's extensive and expensively-prepared report would deal a severe blow to the entire public planning inquiry procedure.

As Mr Eyre has said, the history of airports policy in Britain bas been characterised by "ad hoc expediency, unacceptable and ill-judged procedures, ineptness, vacillation, uncertainty and ill-advised and precipitate judgments. . . . A strong public cynicism has inexorably grown . . . political decisions in this field are no longer trusted." What is now needed, be added, are "decisions which will shape a future that must enjoy an appropriate measure of certainty and immutability."

Men and Matters

Hard words distress TUC

These are hard times for trade unions. Even the way government ministers talk to them his changed.

A party of gently-reared trade union leaders were shocked when, at a recent afficial meeting, a thrusting young minister used—well — unParliamentary language.

The story come from Alex Smith, general secretary of the ailor and Garment Workers, and the chairman of the TUC's textiles committee. Smith and TUC colleagues called on Norman Lamont, the industry minister, to press for government aid for the industry and more consultations.

They found Lamont in pugnacious mood. Ha told them be boped be would not bear them complain about government inaction over the CLOFT scbeme to pump £20m of technological assistance into small textile companies.

Smith wass o shocked (after all, he had coma along expressly to complain) that he flung the notes of his opening remarks across the table at Lamont saying ba would not wasta time reading them.

Smith soldiered on to press for more consultstion between employers and workers on the introduction of new processes. "Consultation on what?" riposted Lamont. Investment, ba went on, was a matter for management.

When the trade unionists complained that tha government was not doing enongh to defend CLOFT from the depredations of the Eurocrats, Lamont replied with a five-letter expletive. Smith concedes that Lamont's reactions were probably "honest," in that be didn't want to see the TUC leaders, and didn't care to hide it.

Over to the Department of Trade and Industry where yesterday they were distressed to learn of the union leaders' distress. They couldn't confirm tha unparliamentary language, saying it wasn't in the minntes.

"The language did get beated at time" they confessed, "But the meeting as a whola was not beated."

"You get used to it—I was blamed for everything at school as well"

Tea and biscuits

Nabisco group, the UK arm of tha U.S. biscuit giant, surprised the food industry this week with the appointment of Alistair Mitchell-Innes as its chief executive.

Nabisco's third chief executive in just two years, most in the industry expected, would be someone who bad been brought up on biscuits, snacks or even confectionery.

But Mitchell-Innes is currently a director of Brooke Bond—and before that bad taken what might be described as a main course through tha food industry as vice-chairman of Walls Meats, a Unilever subsidiary.

Nobody was saying yesterday how Nabisco bad found its new chief executive. But since Unilever took over Brooke Bond late last year—and sold Baxter's in whicb Mitchell-Innes was involved—quite a few of BB's senior managers have left.

And Nabisco's chairman, Basil Collins, sits next to former Brooke Bond chairman, Sir John Cuckney, on the board of Thomas Cook.

Mitchell-Innes was not taking calls yesterday. But Collins spoke glowingly of him." He's an overall food man, a first class executive who will fit right in," be said.

"He has experience of inheriting dud companies and putting them right," Collins said — adding quickly that Nabisco is not in that category, of course. "He has also come into companies doing quita nicely and added drive and inspiration."

Tunnel vision

Yon have to hand it to the Greater London Council led by left-winger Ken Livingstone—it is determined to go down with all guns blazing.

Faced with a government relentless in its determination to abolish the council by March next year, the councillors bave just come up with a grand new wheeze to spend a further £70m or thereabouts of the ratepayer's money.

Dava Watzel, chairman of the GLC transport committee, is proposing to buy the the Dartford tunnel which runs under the Thames between Kent and Essex, and which is part of the nearly-complete M25 ring road being built around London at a cost of more than £1bn.

The GLC would take the tunnel off thc hands of the present owners, the Kent and Essex Councils, for a price yet to be fixed. But there are outstanding loan dabts on the tunncls of £67m, and the two councils would presumably like to clear thata, together with a bit to spare.

Then the GLC would abolish the ttunnel tolls and bope thereby to persuade heavy traffic to use the route in preference to driving across London.

With an estimated revenue in 19485/86 of £853m from the rates the GLC insists that it could afford to buy the tunnel. A spokesman at County Hall did say last night, bowever, that "yon don't get anything for nothing" and that the cost would bave to be borne by the ratepayers of London.

My clinical assessment, for what it is worth, is that the GLC is starting to permit itsalf some harmless end-of-term frivolity.

Bell's gone

So Tim Bell has finally been prised out of Saatchi and Saatchi. After 15 years, he is quitting the agency be belped build into the largest in Britain to join another public ad company, tha upwardly mobile (as admen say). Lowe Howard-Spink Campbell-Ewald, wbose clients incinda Unilever, Lloyds Bank and Whitbread.

Former international chairman of Saatchi and Saatchi Compton Worldwide, 43-year-old Bell becomes group chief executive of "the competitor I've respected most" — an agency which in just three years has pushed its way into thc industry's top twenty.

Modestly described by his new boss, Frank Lowe, as "one of the most talented and influential figures to have emerged in advertising since the war," Bell got a lot of publicity himself for his handling of Saatchi's most famous account, that of the Conservative Party, in two General Election campaigns.

The man they call Tinkerbell will continua to act as adviser to the Saatchi's on government matters, so Mrs Thatcher is unlikely to be moving shop.

Cold comfort

Who said that innovative management is a lost art in Britain?

At Leys Malleable Castings factory in Derby they have found a way to sava up to £100,000 in heating costs during the freezing weather.

They have issued the 340-strong workforce with thermal underwear and turned off the central beating.

Observer

BASE LENDING RATES

A.B.N. Bank	12 %	Hong Kong & Shanghai	12 %
Allied Irish Bank	12 %	Johnson Matthey Bkrs.	12 %
Amro Bank	12 %	Knowsley & Co. Ltd.	12½%
Henry Ansbacher	12 %	Lloyds Bank	12 %
Armco Trust Ltd.	11 %	Mallinhall Limited	10 %
Associates Cap. Corp.	9½%	Edward Manson & Co.	13%
Banco de Bilbao	12 %	Meghraj and Sons Ltd.	12 %
Bank Hapoalim	12 %	Midland Bank	12 %
BCCI	12 %	■ Morgan Grenfell	12 %
Bank of Ireland	12 %	Mount Credit Corp.Ltd.	10½%
Bank of Cyprus	12 %	National Bk. of Kuwait	12 %
Bank of India	9½%	National Girobank	12 %
Bank of Scotland	12 %	National Westminster	12 %
Banque Belge Ltd.	12 %	Norwich Gen. Tst.	12 %
Barclays Bank	12 %	People's Tst. & Sv. Ltd.	13 %
Beneficial Trust Ltd.	10½%	Provincial Trust Ltd.	12½%
Brit. Bank of Mid. East	12 %	R. Raphael & Sons	12 %
■ Brown Shipley	12 %	P. S. Refson	12 %
CL Bank Nederland	12 %	Roxburghe Guarantee	12½%
Canada Perm'nt Trust	10½%	Royal Bk. of Scotland	10½%
Cayzer Ltd.	12 %	Royal Trust Co. Canada	12 %
Cedar Holdings	11 %	■ J Henry Schroder Wagg	12 %
■ Charterhouse Japhet	12 %	Standard Chartered	‖12 %
Choulartons**		Trade Dev. Bank	12 %
Citibank NA	12 %	TCB	12 %
Citibank Savings	¶10½%	Trustee Savings Bank	12 %
Clydesdale Bank	12 %	United Bank of Kuwait	12 %
C. E. Coates & Co. Ltd.	12½%	United Mizrahi Bank	12 %
Comm. Bk. N. East	12 %	Westpac Banking Corp.	12 %
Consolidated Credits	12 %	Whiteaway Laidlaw	12½%
Co-operativa Bank	*12 %	Williams & Glyn's	12 %
The Cyprus Popular Bk.	12 %	Wintrust Secs. Ltd.	12 %
Dunbar & Co. Ltd.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	12½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	12 %		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		
■ Hill Samuel	§12 %		
C. Hoare & Co.	†12 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.75%, 1 month 8.50%. Fixed rate 12 months £2,500 8.75% £10,000 12 months 9.00%.

† 7-day deposits on sums of under £10,000 8½%, £10,000 up to £50,000 8¾%, £50,000 and over 10½%.

‡ Call deposits £1,000 and over 8½%.

‖ 21-day deposits over £1,000 10%.

¶ Mortgage base rate.

§ Demand deposits 8½%.

** See Provincial Trust Ltd.

POLAND'S MURDER TRIAL

The four Interior Ministry officials accused of murdering Father Popieluszko.

Searching for truth in Room 40

By Christopher Bobinski in Warsaw

THERE ARE moments in the Father Jerzy Popieluszko murder trial in Torun when the presiding judge asked those giving evidence to slow down or wait while the court clerk takes down exactly what is being said io laborious longhand. The effort, quite normal in Polish court cases, seems superfluous here, given the array of technology on hand to record what is going on. It shows how seriously the Government is treating the affsir.

Nothing like it has been seen in Poland since the mid-1950s, when the Stalinist secret policemen were put on triel. But those trials went on behind closed doors. *Now, Col Adam* Pietruszka, just three months ago the deputy head of the Interior Ministry department dealing with the church, Capt Grzegorz Piotrowski, and Lts Waldemar Chmielewski and Leszek Pekala, his subordinate, are all in open court.

Room 40 itself is crammed full of plainclothes men, the public *allocated* tickets through party organisations, Catholic Church observers, reporters and families of the four security men accused of the crime, as well as of the victim.

It seems also to be surrounded by other rooms full of people keeping an eye on things. Wires leed next door to a room where television moni*tors take a copy of the proceed*ings. Polish Radio is actually in the courtroom.

Clearly, Warsaw, the capital 200 kilometrea away, wants to keep in touch.

No other cases are being heard for the duration. Special anti-terrorist commandos check tha identities of those with passes for the trial. Twice on the way to *Room 40*, they search for—one can only presume—weapons. Each time the four accused enter the courtroom after a break, two of the commandos stand in front of the dock to shield them physically from the public.

A third stands watching, almost daring anyone in the room to make a false move.

In its cramped condition, the public does not notice too much. It is too busy concentrating on the evidence, bemused at the revelations and wondering how much the trial is designed to reveal as much as what it is trying to hide.

It must be as novel an experience for the defendants as it is for the public. They have spent most of their working lives in the secretive Interior Ministry, conscious of their power but condemned to anonymity. Now they are *standing in court* and describing the inner workings of their department. They have not revealed everything, but more than they would ever have thought of giving away to anyone outside their closed circle not long ago.

Facing them, representing the dead priest's family and his driver, who *jumped from the* kidnap car that night in October to give the alarm, ere lawyers noted for defending political dissidents. These barristers must be on Capt Piotrowski's files. As be said wban be refused to answer their questions: "I know these gentlemen and I know what can be expected of them."

And *when these lawyers did* manage to ask some questions of the accused, one of the Soviet bloc reporters in court leaned over to a friend and whispered: "They are trying to prove the system was to blame."

Capt Piotrowski, an ambitions 33-year-old who led the three-man group which has admitted kidnapping and killing the priest, Indeed gives every impression that he feels himself to be a part and a defender of tha system. It was ha who pointed out one of the *major contradictions of this* trial in which one section of the establishment has been set against another.

Turning to the judges, to the prosecutors, and to the uniformed police guarding him in the dock, be reminded them that, should Solidarity have won power, then "each one of them had already been allocated a place to go to."

Col Pietruszka, 46, a neat, short man and their superior, who denies having sent the *trio on their mission*, is also still very much a man of the system. His *little* speech, explaining that the socialist humanism with which the Interior *Ministry* is imbned meant that he could never have countenanced such an act, is typical of the socialist cliches which middle-mangement here so often employ to deflect respon*sibility for a disaster.*

As for the other two, they seem to be relleved that they have struggled through their testimonies. Chmielewski, his face constantly twitching and bis voice a bleating stammer, seems broken by the enormity of the mess be has found himself in.

They coma from a very inbred society. Son follows father into the security police. Wives worked in the Ministry. But, when it came to the crunch, this solidarity seems to have broken *down. Captain* Piotrowski, whose outspoken stance in court, one teacher reports, has evoked admiration from schoolchildren (the opposition-minded ones think he is a worthy opponent) told a colleague when he thought be was going to be arrested: "When things are going well, your superiors encourage you. *When things go wrong*, you are on your own."

Worse still, all three began to fear for their own safety *after the crime. Pietrowski* bas said in court that when be was arrested he was afraid something might happen to his children. Chmielewski was afraid Pietrowski would harm him if he did not follow orders, and both of the junior men were terrified they would be made sole scapegoats for the murder.

To what extent all four have been made *scapegoats* is another question, which it may be too early to answer, since the trial could last another two weeks. All have said in court that they do not now think that the orders came from the top. The three junior men at the time of the kidnap, however, were convinced that they had high level approval.

Colonel Pietruszka pleads not guilty, but under close questioning from one of the judges, he let slip that his superior, General Zenon Platek, had been involved *in the cover-up. Only* the deputy minister, General Ciaston, comes above bim and then at the top there is Genaral Czeslaw Kiszczak, the Interior Minister. He has, since the early stages, pledged that no stone will be left unturned until all the culprits are found.

The presiding judge has made a point of confirming that the secused now believe that no higher anthority was involved.

This would suggest that a general instruction to that effect has been issued.

If there was e plot to undermine General Kiszczak by kidnapping the priest, theo the *more senior officials* involved might well he purged in the coming months without any sensational court appearances. But then there is also a strong body of opinion which thinks that the order to "discourage" Father Popieluszko from making any more pro-Solidarity sermons came from the top. In that case, the argument goes, the trial is no more than an elaborate attempt to clear the party leadership from suspicion, at considerable cost.

Part of that cost, of course, *is the* morale of the security police, an important pillar of the system as it now stands. The more seoior officials with pensions to worry about ere no doubt complaining but will stay loyal. It is among the younger men that morale will fall, and it will be more difficult than ever to get results from them. Already Capt Piotrowski has described the service discouraged and frustrated by the moderata methods of the leadership towards the Church. The present trial will make things worse.

At the same time, the trial shows that relations with the Church will not be idyllic.

The judge has read documents presenting Father Popieluszko in an unfavourable light and it was Capt Piotrowski who launched his bitter, if rehearsed, attack on the Church from the dock. He asked why his Ministry had been stopped from scting against bishops and priests, and he accused one senlor churchman of having underground Solidarity funds for safe keeping. From the way the Polish media heve reported this outburst, it seems likely that the Captain was put np to it and the Chnrch is now wondering how or whether to react.

So far, the Polish press has published a welter of detail on the case, and the man in the street bas read it with incredulity.

Many tend to dismiss it all out of hand as an attempt to cover up, rather than clarify. Some, no doubt, will be impressed by the openness, and this is one of the aims of the propaganda approach. The trial has certainly improved General Wojciech Jaruzelski's image in the West, less maybe at home.

By embarking on this trial, he has evidently decided that his military support is secure, and the situation in the country calm enough to afford a damaging, if not (in the long run) irreparable minor earthquake in the secret police. The cracks which have opened up on the surface have certainly provided *a fascinating glimpse* inside the Security Ministry in Room 40 of the Torun court house.

Jobs in the UK

New goals that are within our reach

By David Howell

TODAY'S UNEMPLOYMENT is entirely different from tha mass unemployment of the 1930s, and tha remedies it requires are quite different too.

There can be no going back to the full-time, lifetime employment pattern of the past, although there is a plentiful and expanding smount of work to do. Until the policy-makers truly grasp this central fact, progress with the unemployment problem is bound to be very limited, although it *will* no douht *continue to* give rise to much heat, noise and political dog-fighting.

Meanwhile, as long as the Government appears to subscribe to traditional thinking about employment and unemployment, and cannot find the words to describe something better, it will also continue to find itself forced on the defensive. The Opposition parties, for their part, can scarcely be expected to let the Government off the hook. Why should they?

Yet there is a perfectly sensibla way forward which does not leave the Government committed to an unattainable objective—which it is then lambasted for not achieving—but which does offer positive and *hopeful* prospects for all working people.

This is to recognise that a society which is fully occupied, with no one left feeling he or she is on the scrapheap with nothing to fill the day usefully, is well within our reach, even if a fully-employed society in the old sense is not.

Such a world is already in *fact patchily emerging.* A revolution has taken place in the labour market, reflected both in the fast changing patterns, hours and types of work now being sought and the different patterns of work being offered. Fewer people want tha kind of standard working week which used to be the norm, and fewer businesses are offering it.

Already one in five workers are in part-time jobs. This is hardly surprising when 7m married women are now seeking paid occupations outside the home rather than being left with all the unpaid work within it—and very understandably, too. Tha family burdens are being shared and the family earning activities are being shared, inevitably changing the sort of hours husbands and wives want to work for others, or work for themselves, or learn new skills, or take up a "portfolio" of all three.

Industrial and commercial employers ere awakening fast to the possibilities in this new pattern and computerisation is pushing them along as well. All sorts of experiments ere being tried in order to sub-contract and disperse work, to offer a varied menu of working hours and encourage work at home.

The question for public policy is how best to assist and accelerate all this. Policy must ensure that demand for these new work arrangements truly flourishes and is met, and the conditions created in which industry and commerce can respond fesler still. How, in other words, is it made easier to go into these sorl of jobs and much easier for employers to create and offer them, not just in the south but especially in the really difficult northern towns as well.

The answers lie in four areas:

● Extending greatly the facilities for combining learning,

A society where no one feels on the scrapheap

training and earning to the point where they ere available to all and within reach of every locality in the Kingdom. Lord Young's revival of the Beveridge belief that education, training or work should be the only options for school-leavers, and that unemployment simply should not exist as a prospect for teenagers, begins to make much sense in this context, although todey both the state and private enterprise should be able to offer far more flexible packages, including two or even three of these occupations at once.

● Insulating benefits so that they are not destroyed by initial earnings, and so that they are no longer seen as the alternative to work bnt as the base from which additional work can be built up. The Enterprise Allowance Scheme has already made tha first breach on this front.

● Cutting taxes on low earnings by lifting thresholds substantially at each Budget time for the next three years and by also lifting significantly the starting point for the other anti-work "tax," the employer's National Insurance contribution.

● *Prosecuting* the war against all the other restrictions which stand in the way of incremental earnings, limited-hours jobs, job-and-training mixtures, new part-time enlerprise and multiple employments, whether union-imposed, Whitehall-imposed or Inland Revenue-imposed.

These new arrangements will cost big money. But then big, non-inflationary money is available. The combined effects of the measures proposed would be to turn a large proportion of the £7bn unemployment pay into part-income and it is only the additional cost of the tax cuts, overtime, and the expanded facilities for training and local community enterprise (where private enterprise does not pick up the tab) which would burden the budget.

Even then, the new arrange*ments will clearly not reach all* workers in all cities. That is why soma new construction work, carefully injected into the most run-down localities, would have an obvious booster effect in getting the whole occupation - and - enterprise machine going and, as it were, reciprocating. And that is why community enterprise schemes of every shape and size, delegated wherever possible to local commercial organisations, and offering e variety of part-time employment for part-pay, should be encouraged.

Infrastructure spending may not be the job-creator the Opposition and some Tories, believe.

But it is silly of the Government to appear to set its face against any additional moves at all in this area as part of the broader approach outlined above. Unemployment and under-occupation must be fought, and be seen to be fought on all fronts.

If it is, and if the new goal of a *fully-occupied society* is placed at the forefront of policy aims, then the entire unemployment issue will start fading away, leaving a more secure, unified, satisfied and busy society than ever before.

The author is Conservative MP for Guildford and a former Secretary of State for Energy and for Transport.

Letters to the Editor

In a worldwide bankers' market

From Prof I. Pearce

Sir,—Nicholas Colchester's "Wistful view of exchange rates" (January 10) identifies the cause of the breakdown of purchasing power parity as "capital flows driven by hedgers and speculators, investment fashions, interest rate differentials, chartists and tax differences." At the same time your correspondent concedes the now well known fact that around 85 per cent of all exchange transactions are purely interbank involving no non-bank customer of any kind. Are we to conclude therefore that all speculators, chartists and tax avoiders are bankers? Fortunately we need not debate the point for even if it were true, many more serious oddities remain.

If there really is an immanse speculative inflow of non-dollar currencies into the U.S. to be exchanged for the dollars needed to buy U.S. securities, why is it that the Federal *Reserve Board continues* to report no change in the net foreign holding of U.S. equity and/or Government securities? Why is it indeed that the U.S. balance of payments deficit seems to be financed less by an increase in the rate of growth of foreign bank deposits in the U.S. than by an understandable diminution in the rate of growth of U.S. bank lending of dollars to the rest of the world?

And, if, as might be argued, the dollar is high not because huge purchases are being made for non-dollsr currencies but because its price has been set high precisely to discourage those purchases, then what accounts for the continuously rising dollar? Is the passion to speculate in dollars continuously rising in parallel? In any case, if there are only price changes in the dollar with no actual sales, then what accounts for the \$300bn per day of transactions 85 per cent of which are, as already recorded, purely interbank?

Above ell, why should speculative capital flows be a cause of the long-term deviation of exchange rates from purchasing power parity? The flow of intercat income provided by a bond is a commodity just like any other. Trade in bonds should lead to purchasing power parity as speedily as any other kind of trade. Capital bas no special power to disrupt a price mechanism which is otherwise in order.

The truth is that the dollar exchange rate is heing determined today scarcely at all in dealings with the U.S. but in a world-wide bankers' market 20 times larger than anything that could be explained by trade and investment in which U.S. residents need not, and mostly do not, participate either as buyers, sellers or even brokers. The Eurobanking system must find every day many billions of dollars just to refinance its already existing long-term debt. There is now a great deal of indirect evidence to show that a significant proportion of the total funds needed is being raised by the sale of other principal currencies for dollars, perhaps the very same dollars that were repaid the previous day to short-term depositors who are frequently themselves banks.

The refinancing of doubtful debt is an exercise in attracting funds to what, by definition, are less profitable uses. This flatly contradicts purchasing power parity theory which depends for its validity on the assumption that money everywhere seeks its most profitable use. We have no reeson to be surprised that purchasing power parity is not ettained. A more rational occasion *for surprise* might be the fact that banks are able to refinance doubtful debt in any currency.

(Prof) I. F. Pearce.
Department of Economics,
The University,
Southampton, Hants.

Illusions of monetarism

From Mr B. Gould MP

Sir,—In deciding to raise interest rates, the Chancellor appears to have acted on the suggestion in your leading article of January 11 that the pound should be stabilised as an instrument and measure of monetary policy. If he is successful at this, he will, quite apart from the immediate price to be paid in terms of higher interest rates, leave us hugely overvalued against many of our industrial competitors, especially in the EEC and Japan, and he will condemn us to yet more unemployment and industrial stagnation. When will we learn that overvaluation is not a shortcut solution to our problems and that by weakening the *real economy*, it makes inevitable future forced devaluation?

The logic of much of your leading articla leads us back to a quite different conclusion. You point out that the assumed inflationary consequences of depreciation have failad to materialise (so much for international monetarism!) and that much of the Government's monetary policy now rests on highly artificial contortions involving consistent overfunding and the purchase of commercial hills, dictated by the technical definition of sterling M3.

Why not therefore recognise tha reality of what is happening? Why not make due allowance for the, no doubt temporary, nature of the undervaluation against the dollar and accept the desirability of e more competitive rate against other major currencies, thereby avoiding the need to raise interest rates? Why not then pursue a monetary *policy* which is both more honest and more geared to financing the expansion which a lower exchange rate and lower interest rates will make possible? Why not, in short, accept that the "sterling prices" represent the final thumbs down on the illusions of monetarism, even from the money markets themselves, end that it is now *time for a fresh start?*

Bryan Gould.
House of Commons, SW1.

Economic growth record

From Mr W. Eltis

Sir,—Roy R. Bishop (January 12) questioned the statement in my article (January 2) that "If the forecasters are broadly correct (for 1985) then, as the chart shows, Mrs Thatcher's government *will* achieve as much growth in the real gross domestic product in the six years from 1979 to 1985 as her predecessors achieved in the previous six years."

My chart reproduced data for the average estimate of the real gross domestic product at factor cost in 1980 prices from *Economic Trends. This* increased 7.1 per cent from the first half of 1973 to the first half of 1979. It increased 4.6 per cent from the first half of 1979 to the first half of 1984, and if, as forecasters are broadly agreed, it rises e further 3 per cent from 1984 to 1985, then the increase from the first half of 1979 to the first half of 1985 will be around 7.6 per cent. That was the basis for my statement.

Mr Bishop refers to North Sea oil and gas production, which he prefers to exclude from any comparisons. This increased from approximately zero to 3.6 per cent of the gross domestic product from 1973 to 1979, and it rose by a further 3.4 percentage points to 7 per cent from 1979 to 1983, so its increase may not prove very dissimilar in the two periods.

Walter Eltis,
Exeter College,
Oxford.

Using the airports

From Professor V. Korah.

Sir,—On January 9 you reported that "the Civil Aviation Authority has excluded routes to and from Heathrow and Gatwick airports [from its plans to deregulate prices for domestic flights] because of limits on capecity."

Why should scarce facilities not be allocated by the market rather then regulation? In the U.S. the anti-trust division of the Department of Justice has been advocating a market mechanism for the allocation of slots at Kennedy Airport. There must be a cost difference at which more smaller plans would prefer to land at less congested airports, such as Luton. Presumably larger planes can land more passengers per hour than can small ones, and they would best be able to pay higher charges at the congested airports, so the facility would be used for those flights for which it is most valued. Markets can respond to changes in supply and demand more flexibly than can a regulatory authority.

The public may need protection from any landings at night, but I can see no need to regulate who should be allowed to use the available slots.

(Mrs) Valentine Korah.
University College,
4-8, Endsleigh Gardens, WC1.

Levy on blank tapes

From the Head of Press and Publicity, Royal National Institute for the Blind.

Sir,—The idea of a tax on blank recording tape, which you reported on January 8, is controversial for a variety of reasons. Our concern is that such a levy would penalise blind people who use audio tape for an enormous variety of purposes: from studies to letters, shopping lists to directions for journeys, knitting patterns to administrative memos.

It has been suggested that blind people could be exempted through e system in which they would buy levy-free tapes from central organisations like the RNIB. We fear this could both restrict the freedom of blind people to buy tapes as and when they like and add administrative costs for the institute.

We hope that in publishing its Green Paper the Government is still open-minded about its decision.

Locille Hall.
224 Great Portland Street, W1.

FINANCIAL TIMES
Wednesday January 16 1985

Venture capital plans by French N-agency

By David Marsh in Paris

FRANCE'S atomic energy commission is planning selective investments in small high-technology U.S. companies as part of a growing move into venture capital operations by state-owned banks and other institutions.

The project is at an early stage and no decision has been taken on the volume of funds to be invested. The Commissariat à l'Energie Atomique (CEA), however, is exploring a number of possible investments which might involve taking stakes of about $1m in companies in electronics, materials science, agriculture and similar fields.

The CEA was created 40 years ago to oversee France's military and civil nuclear programmes. With a battery of industrial stakes, making it one of France's largest conglomerates, it is trying to move into related non-nuclear fields to capitalise on technological expertise developed in the atomic programme.

The CEA already has disparate U.S. activities including the mining and marketing operations of its fuel services subsidiary, Cogema, and a 32 per cent stake in Syncor International, a Californian medical products company.

The CEA's computer services subsidiary, CISI, moved into the U.S. in 1983 by acquiring the Wharton Econometrics forecasting organisation. The latter's losses helped to force a capital restructuring by CISI last year.

The interest in U.S. venture capital parallels similar moves by the state-owned Paribas and Suez investment groups, which are following an active policy of building up participations in high-growth U.S. companies.

The CEA receives about FFr 400m ($41m) a year from licensing and other technology transfer deals under which it provides expertise to companies for non-nuclear activities ranging from making weighing machines to purifying orange juice.

The commission is making a special effort to develop collaboration in robotics and biotechnology. Last month it announced a landmark technical co-operation deal with the Thomson electronics group for producing advanced microchips. CEA officials believe that capital stakes and technical link-ups involving U.S. companies will help to foster technology exchanges in advance scientific fields.

M Gerard Renon, the head of the CEA, is placing emphasis on joint research and development programmes with industry, with the commission's non-nuclear research budget planned to rise by an above-average 7 per cent this year.

Dunlop reveals plan for £142m refinancing deal

BY CHARLES BATCHELOR IN LONDON

DUNLOP HOLDINGS, the debt-laden British tyre and rubber products group, has unveiled a £142m ($157m) refinancing programme described by Sir Michael Edwardes, the company's chairman, as "one of the most complicated packages to be put together by the City of London."

The package, which was finally signed yesterday after weeks of negotiations with Dunlop's 53 lending banks, comprises:

- The conversion of £70m of bank debt into equity in the form of £40m worth of new ordinary shares at 14p each and £30m worth of preference shares.
- A £43m rights issue to existing shareholders on the basis of 15 new shares at 14p each for every seven already held.
- The placing of £29m worth of new shares with institutional investors.

Sir Michael warned that the refinancing plan faced two more hurdles: the relisting of the company's shares on the London Stock Exchange on Thursday; and an extraordinary shareholders' meeting on February 8 when the plans must get the backing of 75 per cent of shares voted.

Support for the deal will depend on the level at which shares trade "when 14p meets the heat and cold of the outside world" on Thursday, Sir Michael said. The shares are currently suspended at 25p.

The financial reconstruction is intended to reduce Dunlop's £435m debt burden and allow it to expand its remaining businesses.

Its UK banks have agreed to lend it up to £260m. After allowing for the money injected by the refinancing package and proceeds of £170m from the sale of parts of the business which have already been agreed, Dunlop's debts would be reduced to £125m by the end of 1985.

In the meantime, it must make further provisions to meet closure costs and start investing in modernising its operations. Dunlop still has to work out the impact of these two factors, however.

Sir Michael said: "You cannot assume that 1985 will be in loss." There is unlikely to be a dividend this year, however. The company last paid a dividend – halved to 2p per share – in 1982.

Dunlop plans to improve its profit margins by cutting costs, investing in new plant and products and strengthening marketing. Further divestments are expected, but these will not have a drastic impact on the company's UK workforce of 17,000. Despite the sale of its European tyre business and other overseas operations, the company still has turnover of £1.25bn and a worldwide workforce of more than 30,000.

Existing shareholders will see their stake reduced to 15 per cent by the refinancing package, but they could increase this to 63 per cent if they take up the rights issue and some shares provisionally allotted to the banks.

Without the protests of the Dunlop Shareholders' Association it is unlikely that shareholders would have gained this option on half the shares allotted to the banks or the 14p price level set on the shares. When the new management team first spoke to its banks the price discussed was 67p, Sir Michael said.

Under a share option scheme for directors which forms part of the package Sir Michael will have options on 20.9m shares; Mr Robin Biggam, finance director, on 15.7m shares; and Mr Roger Holmes, planning director, on 10.5m shares.

See Lex, this page; Details, Page 21

Bid to ease U.S. curbs on credit purchases of shares

By William Hall in New York

THE U.S. Federal Reserve is planning to relax the strict controls on the use of credit to buy U.S. securities and wants the various U.S. stock exchanges to take responsibility for setting "margin requirements" governing the amount of stock an investor can buy on credit.

Since the stock market collapse of the 1930s, the Fed has laid down margin requirements for investors wanting to buy stock on credit. The purpose of the regulation was to prevent the diversion of credit from industry into the speculative purchase of securities.

In a 189-page study released this week, the Fed says that it has "serious doubts" about the need for a continued federal role in setting margin requirements. It argues that the stock exchanges should be allowed to set their own credit requirements subject to some official regulatory overview.

The Fed proposal was widely welcomed yesterday by the U.S. securities industry, which had long argued that the central bank was out of touch with the industry. The New York Stock Exchange said it "welcomed the Federal Reserve Board proposal, which the exchange had initiated, in order to place credit regulation in the self-regulatory sector."

The board's case is supported by Mr Donald Regan, the outgoing U.S. Treasury Secretary, who has repeated his earlier proposal that margin controls should be abolished completely. Any action in this area, however, will have to be approved by Congress.

For many years the Federal Reserve used to make frequent changes in margin requirements, but these have been unchanged for the last decade. One reason for leaving them unchanged was official unease that the financial markets were interpreting margin movements as another signal of the central bank's monetary policy.

The Fed study disputes the theory that margin requirements divert credit from more useful purposes and notes that the use of margin credit has become much less important relative to the size of the economy and the securities markets than it was 50 years ago.

Stock markets, Section III

THE LEX COLUMN

Dunlop changes down a gear

Mr Lawson's efforts to stabilise sterling have been rewarded, albeit a day late. On Monday he was scuppered by bad news on the oil front; yesterday, lower U.S. rates and a generally weaker dollar steadied the pound at $1.12 and a semblance of calm returned to London's markets. Even gilts showed a little cheer. Enough, perhaps, to see off today's tap stock.

Dunlop

The reconstruction of Dunlop has been so tortuous and so long in coming that it would be remarkable if it now goes through without a single hitch.

The package has a number of features – including the conversion of bank debt into plain ordinary share capital, and a general offer to shareholders from this pool of stock – which may not have been seen in the London market before. Yet the prolonged patience of Dunlop's bankers now looks like being rewarded by the necessary support from elsewhere in the City. Yesterday's sub-underwriting appears to have gone through as smoothly as if it had been any common-or-garden rights issue, and for the usual fee.

Since there must be some doubt as to the amount that Dunlop's existing shareholders will stump up towards its recapitalisation, this commission is more like an extra 1¼ per cent discount to firm holders of the new shares. That seems reasonable enough, if only because about a quarter of the existing equity is barred from participation in the rights (being in overseas hands). Since even the reconstructed Dunlop will be as highly geared an investment as you could wish to find, some inducement to take it back on to institutional books was clearly needed.

Dunlop's accounts are still so shrouded in provisions yet to be determined that there is no question of a pro-forma balance sheet. Starting from a position where net debt of £435m is currently resting on shareholders' funds that are admitted to be well under £100m, however, the capital injection should at least heave Dunlop up to the comparative comfort of a balance sheet that is only 100 per cent geared – with about £200m on each side.

For the enterprise to be worthwhile, that can only be a starting point for further disposals; indeed there is no way that Dunlop will be able to live within its new UK borrowing resources of £260m unless it manages to sell some assets that it might quite recently have been hoping to make use of.

Success in getting a decent return on the new equity will hinge on success in rationalising the remaining businesses: that is where the provisions (and some of the new capital) will be going.

British Aerospace

Shareholders in British Aerospace have been living for some time under the shadow of a large offer from the Government, a threat which must have seemed the sharper since the sale of British Airways ran into litigation and timing problems.

Since the Government's final disposal of its holding in BAe is to be doubled up with plans for the company's first rights issue, it seems just as well that shareholders are being given three or four months to get accustomed to the prospect.

At the suspension price of 367p tha Government holding is worth about £355m, quite a mouthful on its own. Including a rights issue, which might increase BAe's total capital by a quarter, the amount of stock on offer could easily top £500m.

From the viewpoint of institutional shareholders – who are likely to have to take up a large chunk of the Government's shares – the whole package may look remarkably like an ultra-heavy rights – asking them to absorb almost three shares for every two already held. The immediate effect on the share price is thus unlikely to be very positive when dealings resume this morning.

However enthusiastic investors may become as the issues are marketed, they are bound to start by taking off a discount. The chance of a takeover cannot be entirely ruled out, even though the number of shares anyone can accumulate via the offer is likely to be limited.

Guinness

Guinness has done its best to convince the City that its recent buying spree is not an act of corporate recidivism, but a controlled diversification into areas of which its managers have some experience. In this it has been quite successful: the pre-Christmas purchase of Neighbourhood Stores, which might have jogged memories of the acquisition programme of the 1970s, sent the share price climbing.

Yesterday's announcement of record pre-tax profits for the third year running proved just the right sort of support and the share price closed up 4p at 233p, rating Guinness smack in the middle of the sector instead of at its traditional discount.

Profits growth of 20 per cent in the year to September is somewhat flattering, since the exchange rate gain was £2.4m higher and above-the-line expenditure on restructuring the brewing division was £6.3m lower.

Although beer performance in the UK was not inspiring, Guinness reaped the reward from the promotion of its brands in the U.S. and West Germany and certainly did well to maintain its profits in Nigeria. Martin the Newsagent contributed a mere £500,000 in 15 weeks, but there is no reason why Guinness cannot turn this into £5m or more this year, for a total pre-tax profit for the group of over £80m.

Having eliminated its loss-makers, Guinness must convince the world that it can build up its health, retailing and publishing activities, to stand equal to brewing as part of a consumer-oriented group.

United/Fleet

United Newspapers's shareholders might be forgiven for feeling a little piqued at their management's expansion techniques. In 1983 they had to stump up for a two-for-three rights issue. Only last month UN handed out its paper to Link House's shareholders; yesterday, the company gave 10.6m new shares to Robert Maxwell for his stake in Fleet Holdings, 7.2m of which will be placed with institutions at a 10 per cent discount.

True, earnings per share have none the less risen and UN's profits growth as a result of its acquisitions has been impressive. Shareholders might wonder, however, whether since UN has very low gearing, a trip to the bank manager might not be in order next time.

The company will only be able to avoid earnings dilution this year if it includes the appropriate proportion of Fleet's profits in its p & l account. To do this, however, it will need to build up its stake from the current 18.25 per cent to at least 20 per cent. The market yesterday seems to have thought a bid was on its way – Fleet's shares rose 14p to 224p.

Brazil returns to civilian rule with Neves election victory

BY ANDREW WHITLEY IN BRASILIA

SR TANCREDO NEVES, candidate of the opposition Democratic Alliance, has been elected President of Brazil – a result which is a decisive break from the country's military regime of the last 21 years.

Sr Neves, aged 74, had a 480 to 180 majority over Sr Paulo Maluf, the official candidate, in the Electoral College. Voting took place in the Chamber of Deputies, the lower house of Congress, in Brasilia.

Although the outcome of yesterday's indirect election had been clear for several months, the result in Brazil's first open presidential contest since 1960 was an historic victory for the opposition parties.

General João Figueiredo, the outgoing President, telephoned his congratulations to Sr Neves from his hospital bed in Rio de Janeiro, where he is recovering from an operation for a slipped disc.

Gen Figueiredo's immobilisation was symbolic of the Government's inaction for the 18 months of the heated campaign; inaction which contributed considerably to the debacle.

Speaking to a tumultuous special session of the two houses of Congress shortly after his election victory, Sr Neves said that the first task of his Government would be to promote institutional reform. "This was the country's last indirect election," he said.

Tackling inflation will have priority on the economic front, but Sr Neves said he would not resort to recession as a deflationary instrument. "On the contrary, we are going to promote the revival of growth."

Heavy rains sweeping the federal capital dampened the spirits of the several thousand enthusiastic Neves supporters camped in front of the Congress building. Around the country large crowds gathered in public squares to dance and celebrate the result.

Sr Neves will be sworn into office on March 15, when Gen Figueiredo formally steps down. Until then the government of the country enters a period of transition in which little is likely to be accomplished.

The voting took place in an atmosphere more reminiscent of the London Stock Exchange on a hectic day than the dignified proceedings of a parliamentary roll call.

Many from the opposition parties linked their support for Sr Neves to a brief slogan. Some said they were voting for "justice," others for "land reform" or a "constituent assembly"

In a sober reminder of the past – forgotten or forgiven by most Brazilians – one federal deputy said he was casting his vote for Sr Neves in commemoration of "the disappeared" – the hundreds of opponents of the military regime wiped out during the repression years of the late 1960s and early 1970s.

Profile of Neves, Page 4

Fontaine wins staff vote at Le Monde

By Paul Betts in Paris

THE EDITORIAL staff of Le Monde last night chose M André Fontaine, the French newspaper's associate editor, as its candidate to become editor-in-chief.

M Fontaine is now expected to be confirmed in the post by a general assembly of the newspaper later this week. His appointment will mark the end of a bitter succession battle after the resignation of M André Laurens as editor last month.

M Fontaine, 63, a distinguished specialist on East-West affairs, had a majority vote of 60 per cent after the first ballot last night. M Michel Tatu, the other candidate, received 17.5 per cent of the vote. Abstentions totalled nearly 17 per cent.

M Fontaine said yesterday that he had chosen M Daniel Vernet, deputy foreign editor of Le Monde; M Claude Sales, from Radio France; and M Bernard Wouts, a former executive of the Bayard-Presse group; as directors of Le Monde.

UK newspaper industry, Lex, this page, and Page 17

Laker, BA fail to agree out of court

BY DUNCAN CAMPBELL-SMITH IN WASHINGTON

BRITISH AIRWAYS and Sir Freddie Laker yesterday returned to formal legal proceedings in Washington aimed at preparing for the U.S. civil anti-trust suit brought against BA and 10 other airlines over the 1982 collapse of Sir Freddie's Skytrain service.

Sir Freddie arrived in Washington after weekend talks intended to facilitate a private settlement of his differences with BA, which remain a crucial obstacle to the airline's planned privatisation.

"We had a long meeting but we had no positive outcome," Sir Freddie said of the talks, held in Key Biscayne, Florida, with Linklaters and Paines, BA's solicitors.

BA's board is due to meet today and will receive its solicitors' full account of the Florida meeting and various other efforts being made to settle outstanding U.S. litigation against the airline.

The sheer weight of the momentum behind the U.S. court case was evident in Washington, however, as Sir Freddie sat down in front of the video cameras and microphones for a formal cross-examination by U.S. counsel representing BA.

The encounter, always tense and studded with occasionally sharp exchanges, took place in the offices of Beckman and Kirstein, the U.S. counsel to Mr Christopher Morris, the liquidator of Laker Airways, who is the plaintiff in the anti-trust suit.

No judge needs to attend such a cross-examination, but its record can be used subsequently in the trial by any party to the action. The full trial by jury is not expected to take place for months.

Sir Freddie consented voluntarily to give his sworn testimony, known as a deposition in U.S. legal jargon, and has already been cross-examined several times by BA's lawyers over the last year.

Anything short of a formal out-of-court settlement for Mr Morris would appear most unlikely to prompt any serious break in the proceedings. This latest deposition, the date of which was fixed several weeks ago, was therefore not necessarily an unfavourable verdict on the weekend talks.

Much of the questioning by BA's counsel dwelt on Sir Freddie's views and recollections of a meeting at the Civil Aviation Authority (CAA) on October 16 1981, at which North Atlantic air fares were discussed. Sir Freddie has alleged that the fares subsequently fixed by his airline competitors were predatory, aimed at putting his Skytrain service out of business.

Continental presents reorganisation plan, Page 17

British taxmen give themselves a break

BY CLIVE WOLMAN IN LONDON

BRITAIN'S Inland Revenue is granting unpublished tax perks to some of its inspectors and other civil servants.

The special exemption – calculated by one critic to be worth more than £100m ($112m) a year – is tailored to cover civil servants.

Details of the concession have never been published. Even its existence was not admitted by the Financial Secretary to the Treasury, Mr John Moore, when he announced to parliament last April what he said was an exhaustive list of extra-statutory concessions.

Some civil servants are being allowed tax concessions worth between £237 and £474 a year on housing allowances for moving to a more expensive part of the country.

The exemption is subject to detailed restrictions which would exclude most private sector employees from claiming it – even if they were aware of its existence. The restrictions do, however, conform precisely to the terms of a Civil Service scheme.

An Inland Revenue official said that the exemption may have been considered at the time of its introduction not as a "concession" but a "practice," a term normally used where the law is in doubt. In fact, a private letter written by the Inland Revenue's Technical Division in 1980 described it as "an unpublished concession."

The methods of granting extra-statutory concessions and the dangers of abuse, were criticised by Labour MPs when last year's Finance Act was passing through parliament. That led to the Conservative Government agreeing to a review of the system. The revue is still to be completed.

One Labour MP, Mr Mark Fisher, who estimated the concessions to be worth more than £100m, said yesterday: "It is constitutionally wrong that these concessions should be building up outside the control of parliament or even the knowledge of the Government."

Mr Simon Owen, editor of the professional magazine Taxation, said: "It is as difficult for a professional publication to get information of the Revenue concessions as it is on the workings of MI5."

He believed that the Revenue's operation of the concession could be overturned by the courts as going beyond its legal powers.

Revenue officials said yesterday that a few of their concessions might remain unpublished for "a variety of reasons," in particular if the number of taxpayers affected was small. In this case, large companies moving employees would normally receive advice from a professional tax consultant who might be expected to find out about the concession.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	0	43	Dubrovnik	C	10	50	Malaga	S	7	45	Salzburg	S	-4	25
Akrotiri	S	18	64	Faro	S	7	45	Malta	-	-	-	Seoul	Sn	2	36
Algiers	R	4	39	Florence	C	5	41	Manila	F	28	82	Singapore	S	30	86
Amsterdam	Sn	-8	16	Frankfurt	Sn	-8	18	Miami	F	22	72	Stockholm	C	-6	21
Athens	C	10	50	Funchal	F	18	64	Milan	Sn	-1	30	Strasbourg	F	-8	16
Bahrain	S	24	75	Geneva	Sn	-7	19	Moscow	C	-8	18	Sydney	S	31	88
Bangkok	F	33	91	Gibraltar	S	8	46	Munich	S	-10	14	Taipei	C	17	63
Barcelona	S	0	32	Guernsey	C	-1	30	Nairobi	R	25	77	Tangier	S	8	46
Beirut	C	17	63	Helsinki	Sn	-11	12	Naples	R	9	48	Tehran	-	-	-
Belgrade	S	0	32	H. Kong	S	15	59	New Delhi	S	20	68	Tel Aviv	F	19	66
Berlin	C	-8	10	Innsbruck	S	-11	12	New York	F	7	45	Tenerife	C	18	64
Biarritz	S	-1	30	Inverness	F	1	34	Nice	F	5	41	Tokyo	S	5	41
Blackpool	S	0	32	Istanbul	-	-	-	Oporto	S	5	41	Toronto	R	0	32
Bordeaux	S	-8	18	Jersey	Sn	-1	30	Oslo	F	-8	18	Tunis	F	12	54
Brussels	F	-10	14	Jo'burg	R	25	77	Paris	Sn	-7	19	Valencia	S	4	39
Budapest	F	-2	28	Las Palmas	F	18	64	Prague	F	-3	27	Venice	C	0	32
B. Aires	C	27	80	Lima	F	26	79	Reykjavik	R	6	43	Vienna	Sn	-3	27
Cairo	F	20	68	Lisbon	S	5	41	Rio de J'o	C	31	88	Warsaw	S	-8	18
Cape Town	F	26	79	Locarno	Sn	-1	30	Rome	R	9	48	Zurich	S	-10	14
Caracas	C	26	79	London	S	-2	28								
Casablanca	F	12	54	Los Angeles	F	22	71								
Copenhagen	C	-1	30	Luxembourg	C	-12	10								
Corfu	S	14	57	Madrid	S	0	32								
Dublin	C	5	41	Majorca	C	4	39								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Sterling steadies in Europe

Continued from Page 1

the daily Izvestia, compared to the previous 1.016 roubles.

Peter Riddell, Political Editor, writes: Mr Lawson yesterday sought to reassure the markets about the Government's intention "to maintain further downward pressure on inflation." In the House of Commons he put most of the blame for recent market turbulence on the strength of the dollar and weak oil markets, while acknowledging that doubts had developed, particularly outside the UK, about the Government's counter-inflation policy. It had sought to answer that with its "robust" measures on Monday.

Mrs Margaret Thatcher, the Prime Minister, also sought to emphasise yesterday that sterling was suffering in common with other European currencies because of the dollar.

Mr Lawson reiterated his preference for tax cuts rather than extra public investment as the way to stimulate the supply side of the economy and create jobs. He said the answer was microeconomic reforms, not fiscal irresponsibility.

He attacked the "advocates of voodoo witchcraft" who proposed additional spending. That label was later eagerly appropriated by Mr Edward Heath, the former Conservative Prime Minister, who strongly and wittily attacked Mr Lawson.

He argued that the difficulties of sterling were nothing to do with market worries about public borrowing or the money supply – public investment could therefore be increased.

Mr Heath and Dr David Owen the Social Democrat leader, argued that sterling should be linked to other EEC currencies in the European Monetary System, after Mr Lawson had repeated that on the balance of advantages and disadvantages the Government still did not think it was right to join.

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SECTION II – INTERNATIONAL COMPANIES
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STRONG FINAL QUARTER LIFTS FULL-YEAR EARNINGS

U.S. banks' year-end salvation

BY PAUL TAYLOR IN NEW YORK

CITICORP, the world's largest banking group, and two other big U.S. banking groups, Manufacturers Hanover and Bankers Trust, yesterday reported sharply higher fourth-quarter net earnings.

The substantial fourth-quarter gains – which match similarly impressive results already announced by other U.S. lenders – also helped bolster full-year earnings, rescuing many of the country's major banking groups from an otherwise unfavourable year-on-year comparison.

Citicorp reported that its fourth-quarter net income increased by 30 per cent to $261m, or $1.91 a share, from $201m, or $1.40, in the 1984 quarter. Full-year net earnings increased by a modest 3 per cent to $890m, or $6.45, from $860m, or $6.48.

Manufacturers Hanover, the fourth largest U.S. banking group, said its fourth-quarter net earnings increased by 23 per cent to a record $106.2m, or $2.14 a share, from $86.3m, or $2.13. Full-year net earnings increased by 4.6 per cent to $352.5m, or $7.12 a share, from $337m, or $8.37. Manufacturers Hanover noted that its 1984 results included the effects of a 35.7 per cent or $1.2bn increase in primary capital.

Bankers Trust, the 10th largest U.S. banking group, reported a 19 per cent increase in fourth-quarter earnings and a 17 per cent increase for the full year. Fourth-quarter earnings increased to $81m, or $2.44 a share, from $67.8m, or $2.18, boosting the full-year net figure to $306.8m, or $9.52 a share, from $261.2m, or $8.55.

Among other factors, the fourth-quarter earnings gains generally reflect higher trading account profits, partly offset by increases in loan loss provisions to bolster reserves.

Citicorp said its gains were fuelled by particularly strong performances in domestic, corporate and consumer businesses, investment banking and trading, and services for financial institutions worldwide. Offsetting factors included continuing high levels of cross-border loans carried on a cash basis, mainly in Latin America, and expected losses for the year in savings and loan networks acquired in Florida and Illinois earlier in the year.

Manufacturers Hanover said that, apart from the substantial increase in primary capital, the 1984 earning reflected higher domestic earnings assets, a 33 per cent increase of $204m in non-interest revenue and a 45.8 per cent or $198m increase in the reserve for possible loan losses after absorbing substantially increased charge-offs for the year.

PNC Financial, the Pittsburg-based banking group and the 27th largest in the U.S. said its fourth-quarter earnings increased to $42.1m, or $1.91 a share, from $30.5m, or $1.47, in the 1983 period, helping boost full-year oet earnings to $143.2m, or $6.51 a share, from $117m, or $5.66, in 1983.

VW may purchase stake in Seat

By John Davies in Frankfurt

VOLKSWAGEN is considering whether to take a capital stake in Seat, the Spanish state-owned car group, in order to consolidate the two companies' already close co-operation.

Under an agreement signed in 1982, Seat assembles VW's Polo and Passat models, mostly for sale in Spain. Seat also imports and distributes other VW vehicles, while the West German group has been helping Seat to build up its distribution network in Europe.

So far, VW has always reacted cautiously to repeated suggestions made in Spain that it should become financially involved in Seat, perhaps by taking a 51 per cent stake.

The West German company said yesterday that it was now in the process of examining the whole question of a stake in Seat but it was too early to indicate what might be decided.

Seat, which has consistently lost money, has been interested in forging a new partnership since Fiat of Italy gave up its mioority stake in 1981.

The Spanish company has been improving its technological and marketing image in recent years, aided lately by the introduction of the new Ronda model with engines developed in co-operation with Porsche

VW is well satisfied with its co-operation agreement, which has enabled it to build up its position in Spain without pumping in capital. Before the Seat connection, VW had less than 1 per cent of the Spanish car market but now has 5 to 6 per cent.

International Paper in red as closure costs exceed estimate

BY WILLIAM HALL IN NEW YORK

INTERNATIONAL Paper of the US., the biggest paper company in the world, lost $74m in its final quarter following a write-off to cover the closure of some of its west coast timber operatings.

The $163m pre-tax write-off is some $13m higher than first estimated last month, and the fourth-quarter figures disappointed the stock market. Stripping out the write-off and adjusting for a $17.5m tax credit in the corresponding period of 1983, International Paper's fourth-quarter net income fell by around 14 per cent to $44m or 75 cents a share.

For the full year, International Paper's earnings fell to $120m, or $1.88 a share compared with $254.9m, or $4.61 a share. The group's 1983 results were boosted by a $123.7m pre-tax gain on land and timber sales, and if the 1984 write-off is excluded, the company earned $238m or $4.24 a share. Sales in the latest quarter were unchanged at $1.1bo and for the full year rose from $4.4bn to $4.7bn.

Mr John Georges, International Paper's chief executive, said: "operating profits in our paper and packaging business segmeots improved by 300 per cent in 1984. The persistent strength of the dollar and a slowing domestic economy at year end, however, put pressure on our fourth-quarter operating results."

The group expected this situation to continue into early 1985 but was encouraged by the outlook for the full year, he added.

EAB maintains recovery in fourth quarter

By Our Financial Staff

EUROPEAN American Bancorp, the New York consortium bank, maintained its recovery in the fourth quarter of 1984, with net income of $1.51m, compared with a oet loss of $8.89m last time.

Even so, primarily because of the second-quarter setback, the bank shows a loss for the year of $132.84m, against a profit of $19.23m for 1983.

Loan loss provisions for the fourth quarter were $83.35m, and at December 31, non-performing assets totalled $299.5m, or 5.41 per cent of total loans. In the second quarter, loan loss provisions had reached $110m.

Continental survival plan put to creditors

BY ANDREW BAXTER IN NEW YORK

CONTINENTAL Airlines, the large U.S. carrier which filed under Chapter 11 of the U.S. bankruptcy code in September 1983, has presented the long-awaited outline of its proposed reorganisation plan to a bankruptcy court judge and creditors.

Continental was hit in the early 1980s by high costs which made it hard for it to compete with newer airlines that had flourished since deregulation in 1978. After cutting its workforce by two thirds immediately after the bankruptcy filing and halving the pay of the remaining staff, the airline has re-emerged as a successful low-cost carrier.

Under the outline proposal, which the airline hopes will form the basis of a reorganisation plan, Continental would pay in full the debt of more than $1bn existing at the time of the filing.

Secured debt of $657.8m would be retired within 10 years, with unsecured debt of $380.1m paid within 12 to 13 years. The company stressed the proposal would not require the use of additional equity to satisfy creditor claims.

Continental's operations involved an average of 158 daily departures serving 50 cities immediately after the filing. Today, 474 departures serve 89 destinations, while the workforce has risen from 4,500 to 10,000.

GenCorp hit by heavy provisions

By Our Financial Staff

GENCORP, the fifth largest U.S. tyre company formerly known as General Tire & Rubber, was hit by heavy provisions in the year to November 30. Net profit fell from $65.3m to $7.21m, or from $2.82 to 33 cents a share, on sales up at $2.72bn, from $2.51bo in the previous year.

The earnings figures were struck after a $57.3m, or $2.67 a share charge, which included provisions for costs related to a contract dispute, restructuring, and environmental matters at Aerojet General.

In the previous year there was a net gain of some $23m on unusual items.

Maxwell sells stake in Express group

BY SUE CAMERON IN LONDON

PERGAMON Press, the UK publishing group, has sold its 15.78 per cent stake in Fleet Holdings – owner of the Daily Express and Sunday Express and of the Daily Star – to United Newspapers for £30.6m ($34m).

The surprise deal brings United's total interest in Fleet to 18.25 per ceot. Yesterday's announcement immediately brought speculation that United would launch an all-out takeover bid for Fleet in the not too distant future.

The sale could mark important turning points for all three of the parties involved.

For Pergamon's flamboyant Mr Robert Maxwell, publisher of Mirror Group Newspapers, the deal is thought to have brought a profit of over £8m. It also sets the seal oo his comparatively new role as a Fleet Street press baron.

Mr Maxwell, who has long wanted to own a national newspaper, originally bought into Fleet with a view to gaining control of its Express Newspapers subsidiary. After his £113.4m Pergamon Press purchase of the Mirror group last year, however, he has no further need of Fleet.

Mr Maxwell is believed to have approached United some 10 days ago. It is thought he was determined that his stake in Fleet should go to a group of which be approved.

For United the deal promises further expansion and a stake in a profitable group. Fleet's pre-tax profits in the year ending June 1984 were £22.08m oo a turnover of £324.5m – dooble those of the previous year.

United is paying for its purchase with 10.6m new ordinary shares, avoiding the need to borrow from the banks. A total of 7.1m of these are to be sold which will give Mr Maxwell £20.7m in cash plus a 4.65 per cent stake in United.

For Fleet Holdings yesterday's deal means the possibility of a takeover comes one step nearer.

Contel backs Edelman bid for Datapoint

By Andrew Baxter in New York

CONTINENTAL TELECOM, the Atlanta-based telecommunications group which has expanded into informatioo processing services, has emerged as the corporate partner of Mr Asher B. Edelman, the New York investor, in his $464m bid for Datapoint.

Mr Edelman, whose bid for the computer and office communication products group was rejected, has said he received the backing of a large public company for the bid, but had previously oot disclosed its identity.

Contel said yesterday that discussions were continuing with Mr Edelman, but no understanding had beeo reached.

The connectioo between Mr Edelman and Contel began last year, when Cootel bid for the Sorbus computer operations of Mr Edelman's Managemeot Assistance company. Cootel, however, was outbid by Bell Atlantic, the AT&T spin-off.

Amoco's metals lose their lustre

GEORGE MILLING-STANLEY explains why Indiana Standard wants to retreat from its costly foray into the metals and minerals sector

STANDARD OIL (Indiana), the fourth largest oil group in the U.S., is the latest of the oil majors to demonstrate its disenchantment with lossmaking hard-rock mineral operations.

Following Atlaotic Richfield's decision to absorb a complete write-off at a value of $785m of its interest in the metals subsidiary Anaconda, Indiana Standard—better known as Amoco—bas announced its intention of floating off Amoco Mioerals to shareboIders by the middle of this year.

At the same time, Amoco Minerals' interests worldwide are currently being subjected to a searching review, which suggests that there could be some form of house-clearing process to get rid of those ventures with the worst prospects of success in advance of the sell-off.

If this review leads to Amoco's withdrawal from some of the less promisiog ventures, it could make the remaining operations an attractive takeover proposition, wbich would save the oil gronp the trouble of trying to persuadc its shareholders to sbouIder the full burden of the subsidiary's losses.

Amoco Minerals has assets valued at $1.78bn, but the division lost a net $21m in 1983 on sales of $616m. Further losses arc expected for last year, arising largely from the extensive copper operations. The company accounts for sometbing like 7 per cent of U.S. copper capacity, although its three mines in Arizona have had to absorb their share of the recent sizeable cuts in U.S. copper production.

In addition, Amoco Minerals accounts for about 1 per cent of U.S. coal output from its mines in Colorado, Kentucky and Pennsylvania, and some 8 per cent of American production of tbe steel industry metal molybdenum from the Thompson Creek mine in Idaho.

Other U.S. interests include a big presence in industrial minerals, and gold and silver production in Nevada. These are the properties which are to be included in this year's proposed spin-off, wbich will bear the name of Cyprus Minerals.

Apart from these, the group also has interests in two substantial mining properties outside the U.S.—a 30 per cent stake in the Ok Tedi gold and copper mine in Papua New Guinea and a half-share of Canada's Detour Lake gold mine in northern Ontario.

These foreign interests are unlikely to complicate the proposed spin-off, as neither is held directly by Amoco Minerals. The Ok Tedi stake is in the hands of the wholly-owned Mount Fubilan Development, while Detour Lake is held through Amoco Canada Petroleum.

Nevertheless, Indiana Standard's desire to effect a complete withdrawal from hard-rock mining would suggest that both of these interests could soon come up for salc as well, possibly to thc group's partners. This desire will only have been strengthened by the severe problems the two operations have experienced since inception.

Apart from the recent weakness in metal prices, Ok Tedi suffered more than its fair share of difficulties during the construction phase, including a freak drought, a landslide which wrecked the original plans for dealing with the mine's waste material, and a leak of hazardous chemicals from the processing plant into a nearby river.

It emerged yesterday that the partners, Amoco and Australia's Broken Hill Proprietary, with 30 per cent each, and a West German consortium with 20 per cent, were discussing the postponement of the second phase of the mine, involving a mixture of gold and copper production, with the Papua New Guinea Government, which holds the remaining 20 per cent.

Detour Lake has also run into a variety of problems, involving both the mining and processing operations, and the operating company, Campbell Red Lake Mines, part of the Dome Mines group, recently suspended a planned $82m expansion of the mine's processing capacity on the grounds that this was uneconomic at the present depressed gold price.

The hard-rock mineral operations are being subjected to the same rigorous scrutiny the group is giving all of its non-mainstream oil producing interests.

Indiana Standard is a group which is going through the often painful process of redefining its goals. The form in which it will finally emerge is still unclear at this stage, but it looks as though it will be a healthier organisation once it rids itself of expansionist ambitions in areas beyond the confines of its traditional business as an oil prodncer.

UK bank in commercial move

BY MARGARET HUGHES IN LONDON

THE TRUSTEE Savings Bank England and Wales, which with the rest of the TSB group is to be floated on the London Stock Exchange in the next year or so, yesterday announced the first move in its drive to establish a firm footing in the commercial banking sector.

Next week it will launch its managed account, which is aimed at small to medium-sized companies with turnover of up to £5m ($5.6m). The new account, which will be available at the bank's 1,262 branches, combines in a single package a cheque account, deposit and overdraft facilities. This provides a built-in money management service which eliminates the need for the customer to switch funds from one account to another.

If the account is in credit, the customer will earn interest which will be calculated daily.

The account is designed to appeal to the small businessman who does not have his own sophisticated accounting system. If it is overdrawn, the customer will be charged normal overdraft rates. Once the overdraft is cleared and the account moves into credit, the customer will immediately start earning interest.

TSB expects this account to have most appeal for small retailers whose accounts are constantly fluctuating between overdraft and credit. In its trial, which attracted 1,000 accounts, 49 per cent were opened by retailers and another 26 per cent by professionals. TSB concedes, however, that customers may still prefer to keep their overdraft and current or deposit accounts separate.

Although TSB intends to remain a predominantly personal banking group – it is the largest in the UK with 6m customers – it is keen to expand in commercial banking. Over the past four to five years it has built up its commercial customer base from nothing to 50,000.

Strong profits rise at Bank Julius Baer

By Our Zurich Correspondent

NET PROFITS of Bank Julius Baer, Zurich, rose by 23 per cent last year to SwFr 23.8m ($8.9m), transfers to reserves increasing from SwFr 9m to SwFr 11m.

The bank's balance-sheet total expanded sharply from SwFr 1.84bn to SwFr 2.43bn in 1984, with SwFr 250m of the increase resulting from the takeover by the New York branch of the activities of Baer American Banking Corporation in April. Excluding this and the effects of the strong dollar, assets still went up by 13 per cent over the year.

Baer Holding, of Zurich, the parent company, receives an increased dividend from the bank of 16 per cent, against 15 per cent for 1983, on share capital up from SwFr 67.5m to SwFr 82.5m.

The consolidated balance sheet of the Baer gronp amounted to SwFr 2.75bn at the end of 1984, compared with SwFr 2.35bn a year earlier.

Provinsbanken to raise DKr 500m

By Hilary Barnes in Copenhagen

PROVINSBANKEN, the Aarhus-based bank, plans to finance the acquisition of Kronebanken, which was rescued from closure in December by guarantees put up by the Danish central bank and the three biggest commercial banks, by raising about DKr 500m ($44m) in new share capital.

The bank has met with leading institutional investors to obtain backing for its plans, which it hopes to be able tn present to a meeting of the representative council of the shareholders of Kronebanken tomorrow.

GTE Sprint chairman resigns after downturn

BY PAUL TAYLOR IN NEW YORK

MR DALE PILZ, chairman and chief executive of GTE's cut-price long-distance telephone unit, GTE Sprint, has resigned unexpectedly.

GTE said Mr Pilz, who has been chief executive of GTE Sprint since its acquisition by the telecommunications group in June 1983, had resigned "effective immediately, to pursue other interests."

His resignation comes after GTE reported that its communications services group, which includes Sprint long-distance services, had lost $1.7m in the 1984 third quarter because of higher costs and other factors.

Mr Donald Prigmore, GTE Sprint president, will assume Mr Pilz's responsibilities. Mr Pilz will continue to provide "consultative services" to GTE.

● Mr Jesse Aweida, the founder and chairman and major shareholder of Storage Technology, the computer equipment maker which filed for protection from its creditors under Chapter 11 of the U.S. bankruptcy code in October, has resigned. In November Mr Aweida stepped aside as chief executive after his brother, Mr Naim Aweida, quit as president.

● Mr Jerry Ruenheck, president and chief operating officer of Burger King, the U.S. fast-food group, is to resign at the end of the company's fiscal year on May 31 to become a Burger King franchisee. Mr Ruenheck is credited with helping create Burger King's financial turnround in the past few years.

Ciba-Geigy sales up 19%

BY JOHN WICKS IN ZURICH

GROUP TURNOVER of Ciba-Geigy, the Swiss chemical group, rose 19 per cent to SwFr 17.48bn ($6.55bn) last year. The rate of growth was attributed "almost entirely" to higher salea volumes, since no operating sector was able to keep its prices fully in line with inflation. Also, currency fluctuations played only a minor role, local currency turnover having increased by 15 per cent over the year.

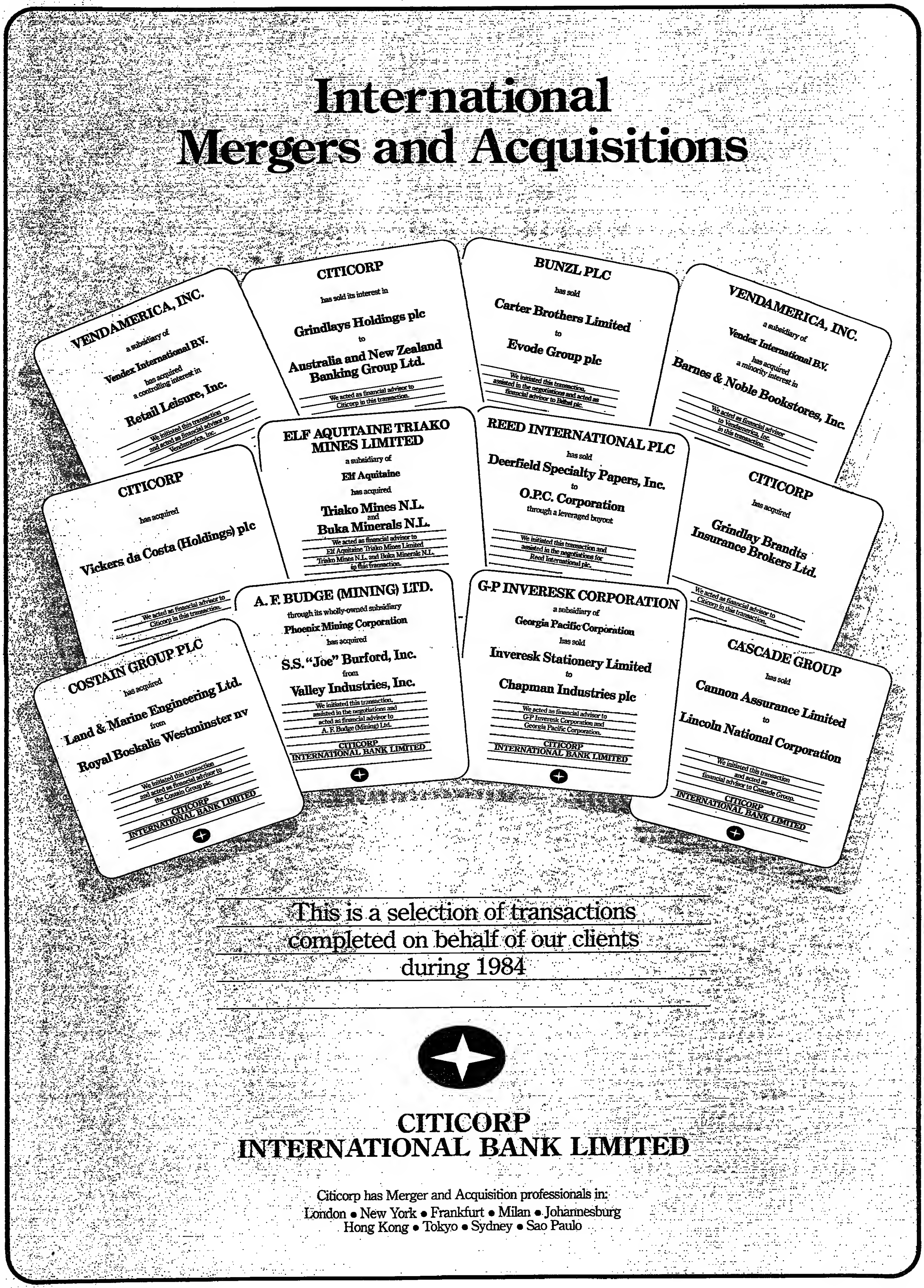
The company repeats its recent statement that there has been a "striking increase" in group profit, details of which will be announced in late February.

The pharmaceuticals sector, the most important within the group, showed a 14 per cent improvement in turnover to SwFr 5.06bn, thus keeping pace with the overall expansion of the world market.

Ciba-Geigy's agricultural division showed a sharp rise of 28 per cent in sales, to SwFr 4.59bn due partly to the ending of the U.S. Government's acreage-reduction incentives and partly to an increased demand for plant protection chemicals.

Elsewhere, dyestuffs and chemicals profited from a favourable business climate in "almost every market except the U.S.", its sales rising 10 per cent to SwFr 2.41bn, while economic recovery led to a 23 per cent jump in sales of plastics and additives to SwFr 3.6bn.

In smaller fields of activity, sales of the Ilford and electronic equipment divisions rose by 12 per cent to SwFr 501m and by 18 per cent to SwFr 570m, respectively.


International
Mergers and Acquisitions
VENDAMERICA, INC.
a subsidiary of
Vendex International B.V.
has acquired
a controlling interest in
Retail Leisure, Inc.
We initiated this transaction and acted as financial advisor to Vendamerica, Inc.
CITICORP
has sold its interest in
Grindlays Holdings plc
to
Australia and New Zealand Banking Group Ltd.
We acted as financial advisor to Citicorp in this transaction.
BUNZL PLC
has sold
Carter Brothers Limited
to
Evode Group plc
We initiated this transaction, assisted in the negotiations and acted as financial advisor to Bunzl plc.
VENDAMERICA, INC.
a subsidiary of
Vendex International B.V.
has acquired
a minority interest in
Barnes & Noble Bookstores, Inc.
We acted as financial advisor to Vendamerica, Inc. in this transaction.
CITICORP
has acquired
Vickers da Costa (Holdings) plc
We acted as financial advisor to Citicorp in this transaction.
ELF AQUITAINE TRIAKO MINES LIMITED
a subsidiary of
Elf Aquitaine
has acquired
Triako Mines N.L.
and
Buka Minerals N.L.
We acted as financial advisor to Elf Aquitaine Triako Mines Limited Triako Mines N.L. and Buka Minerals N.L. in this transaction.
REED INTERNATIONAL PLC
has sold
Deerfield Specialty Papers, Inc.
to
O.P.C. Corporation
through a leveraged buyout
We initiated this transaction and assisted in the negotiations for Reed International plc.
CITICORP
has acquired
Grindlay Brandts Insurance Brokers Ltd.
We acted as financial advisor to Citicorp in this transaction.
COSTAIN GROUP PLC
has acquired
Land & Marine Engineering Ltd.
from
Royal Boskalis Westminster nv
We initiated this transaction and acted as financial advisor to the Costain Group plc.
CITICORP INTERNATIONAL BANK LIMITED
A. F. BUDGE (MINING) LTD.
through its wholly-owned subsidiary
Phoenix Mining Corporation
has acquired
S.S. "Joe" Burford, Inc.
from
Valley Industries, Inc.
We initiated this transaction, assisted in the negotiations and acted as financial advisor to A. F. Budge (Mining) Ltd.
CITICORP INTERNATIONAL BANK LIMITED
G-P INVERESK CORPORATION
a subsidiary of
Georgia Pacific Corporation
has sold
Inveresk Stationery Limited
to
Chapman Industries plc
We acted as financial advisor to G-P Inveresk Corporation and Georgia Pacific Corporation.
CITICORP INTERNATIONAL BANK LIMITED
CASCADE GROUP
has sold
Cannon Assurance Limited
to
Lincoln National Corporation
We initiated this transaction and acted as financial advisor to Cascade Group.
CITICORP INTERNATIONAL BANK LIMITED
This is a selection of transactions
completed on behalf of our clients
during 1984
CITICORP
INTERNATIONAL BANK LIMITED
Citicorp has Merger and Acquisition professionals in:
London • New York • Frankfurt • Milan • Johannesburg
Hong Kong • Tokyo • Sydney • Sao Paulo

INTERNATIONAL COMPANIES and FINANCE

Ian Rodger look at bids for Allen-Bradley, the U.S electronic controls maker

For sale: a unique opportunity in automation

THE PROPOSED sale of Allen-Bradley, the leading U.S. producer of electronic controls, provides a unique opportunity for anyone interested in jumping into the fast growing factory automation field.

But when the deadline for bids passed last night, probably only a handful of firm offers had arrived. Many potential bidders, such as IBM and General Electric, might have been put off by anti-trust considerations.

A-B has a leading 40 per cent share of the $650m U.S. market for programmable logic controls (PLCs) and strong positions in electric motor drives and computer numerical controls (CNCs).

Others would have been daunted by the size of the business. A-B, a private company, has sales of about $1bn, a workforce of 15,000, and it is said to be very profitable. This would seem to put it out of the range of even large machine tool builders, such as Cincinnati Milacron.

Until last Monday, the only known bidder was a consortium of A-B managers led by Mr C. R. Whitney, the chairman, proposing an employee buyout. Then Siemens, the West German electrical group, announced that it had made an offer. Other European companies, such as Philips of Holland, have had a look, seeing it as an opportunity to build U.S. market share in a hurry. But it is understood that no other company from outside the U.S. has actually made a bid.

Some potential bidders may still be scratching their heads wondering why A-B was put up

SIEMENS

for sale. The announcement, three months ago, came as a complete surprise, both inside and outside the company.

A-B has long been a leading force in industrial controls. It was set up in 1903 by two entrepreneurs and soon specialised in making electro-mechanical relays and starter motors, mainly for the automotive and machine tool industries. Since 1945, it has been owned by trusts set up by one of the founders, and neither the trustees nor the company managers had ever shown any signs of discomfort with that arrangement.

However, in announcing the sale, Mr Andrew Rader, chairman of the trustees of the trust and a former chairman of the company, revealed that the A-B shares were the trusts' principal asset and the trustees had decided to diversify their holdings by selling all or part of them.

One possible reason for the change of heart by the trustees is the speed with which the industrial controls industry is growing and changing. A-B sales have been rising at about 20 per cent annually since 1978, and the shape of its business has changed substantially. For example, PLCs have displaced starter motors as its most important products.

The industrial automation industry is also attracting some very big competitors. A-B is worried that IBM, with all its technical and marketing power, will make a major push into the sector.

Until the late 1970s, A-B was known as a rather conservative company, reluctant to exploit the new technologies of electronic control. Although it had been a pioneer in developing CNCs for machine tools in the 1960s, it let the Japanese move ahead in the 1970s and has never recovered a leading position in that sector.

Perhaps, because of that experience, the company's management became more dar-

ALLEN-BRADLEY

ing in the late 1970s, investing large sums to develop PLCs to replace its old relays and, more recently, AC drives for electric motors.

That put the company at the centre of the revolution in factory automation now taking place. Initially, PLCs were used to replace relays and other control devices in the motor industry's transfer lines and assembly plants. Now, they are playing a key role in the automation of other engineering production industries, controlling machine tools and managing their links with robots, automated guided vehicles, inspection machines and other systems that form part of the so-called factory of the future.

A-B is now a world leader in supplying PLCs for factory automation, ahead of Gould and General Electric in the U.S. and well established in Europe. In the UK, it shares the PLC market leadership with Britain's General Electric Company and in West Germany is second only to Siemens.

Mr Whitney has said A-B's target is to be one of the top 10 companies in the world in the factory automation business. That has always looked like a tall order for a private company, especially one that did not make the computers which will ultimately manage the PLCs in automated factories. The prospect, however, may be clearer after the outcome of the sale is known.

New U.S. move by Nestle

BY JOHN WICKS IN ZURICH

NESTLE HOLDINGS, a U.S. subsidiary of the Swiss-based foodstuffs concern, has taken up an option to buy Hills Brothers Coffee, of San Francisco. The move represents yet another Nestle foray into the U.S.—it recently received permission for a $3bn takeover of Carnation.

Hills Brothers is a major U.S. producer of roast and ground coffee with some 1,000 employees and 1983 turnover of about $350m. Apart from its San Francisco headquarters plant, it operates manufacturing facilities in New Jersey, Louisiana and Arizona.

Although no price is given for the takeover of the company from its private owners, Nestle had last year estimated that the exercising of the purchase option would cost "between SwFr 160m ($60m) and SwFr 200m."

The transaction marks Nestle's biggest breakthrough to date in the field of roast coffee. While the group remains strongest in the coffee-granule (Nescafe) sector, it has been building up its operations in roast coffee. Last year it took over Goodhost, a Canadian company with a SwFr 115m turnover which specialises in coffee supplies to institutional customers.

Australia lifts bond barriers

By Michael Thompson-Noel in Sydney

THE AUSTRALIAN Government said yesterday it was removing restrictions on foreign governments, their agencies, and overseas banks (other than central banks) to invest in Australian capital markets.

However, equity investments will still be subject to normal foreign investment review criteria.

The move is expected to aid the internationalisation of Australia's capital markets.

The main call for change was sounded by several large Japanese superannuation funds.

Bumiputra inquiry chief seeks bank system probe

BY CHRIS SHERWELL AND WONG SULONG IN KUALA LUMPUR

THE HEAD of the official inquiry into losses in Hong Kong by Bank Bumiputra, Malaysia's largest bank, yesterday called for a Royal Commission of Inquiry into the whole of the country's banking industry.

The call came from Tan Sri Ahmad Noordin, Malaysia's Auditor-General and chairman of the three-man inquiry investigating the country's biggest-ever financial and political scandal, in which the government-controlled bank lost 2.25bn ringgit (US$903.6m) on Hong Kong property loans between 1980 and 1983.

The proposal represents a significant modification in his own previous demand for a Royal Commission into the Bank Bumiputra affair. That demand, the result of his own inquiry's lack of legal power, as been echoed both by opposition groups and by Tun Hussein Onn, a former premier who has been closely involved in the financial restructuring of the bank.

Tan Sri Ahmad, in an interview yesterday, acknowledged his own surprise that the Government earlier this month had published the legal brief produced by his team on cases of corruption involving officials of Bumiputra Malaysia Finance, the Hong Kong subsidiary at the heart of the scandal.

The brief documents prima facie cases of corruption and kickbacks in the subsidiary's lending to the Carian Group of companies before they crashed last year

Tan Sri Ahmad said he felt particularly uneasy over wider allegations of kickbacks and corruption in Malaysia's banking industry.

● Mr Lorrain Osman, former director of Bank Bumiputra and a central figure in the bank's Hong Kong Loan scandal, is to lose effective control of a Malaysian, publicly listed company through an equity restructuring scheme. He has also resigned as a director of the company, George Town Holdings, which operates several pharmaceutical stores in Malaysia.

Under the restructuring, George Town's paid-up capital would be increased from a minuscule 500,000 ringgit through a two-for-one rights issue and the acquisition of Amaraik in exchange for 22.1m new shares at 1.5 ringgit each, and a public issue of 5m new shares at 1.25 ringgit each.

Amaniak is controlled by the Chin family, and operates a chain of supermakets with a group turnover of 67.5m ringgit

All-round improvement at Guinness

Arthur Guinness and Sons pushed full year taxable profits up from £58.8m to £70.4m, but over half of the increase was attributable to a £6.3m reduction in exceptional costs.

Profits at the trading level showed a £3.2m rise to £64.9m with turnover ahead at £923.7m compared with £872.4m. In addition to the lower exceptional costs of £4m, the taxable result also benefited from a £16.5m (£15.8m) contribution from related companies and lower net finance charges of £7m (£8.4m).

Exceptional costs related to provisions for reorganisation of continuing brewing activities.

The year to end September 1984 saw an improvement in all of the group's areas. International brewing and marketing turned in £71.1m, against £60.9m, after further "high expenditure" in core brand marketing support.

With less than a four month contribution from Martin the Newsagent, acquired in June, retailing profits rose by 68 per cent to £5.2m. The performances of Drummonds, Lavells and Clares were "particularly encouraging," says Mr Ernest Saunders, the chief executive.

Following an increase in the interim dividend, the final payment is being lifted from 4.1p to 4.62p, making a total 6.44p (5.76p). Stated earnings per share rose from 17.1p to 20.9p.

Mr Ernest Saunders, chief executive of Arthur Guinness and Sons

Mr Saunders says that a positive cash flow of £11m was generated from existing operations. The balance sheet, he says, remains strong with a minimal increase in gearing to 27 per cent leaving significant capacity for future development.

He adds that during 1984, Guinness completed its restructuring phase and now has a defined strategy for growth in four main areas: International brewing and marketing; retailing; publishing and health and fitness.

In international brewing and marketing, the Guinness brands made progress in the U.S. and Germany and more than doubled profits, confirming, says Mr Saunders, the trends to speciality beers.

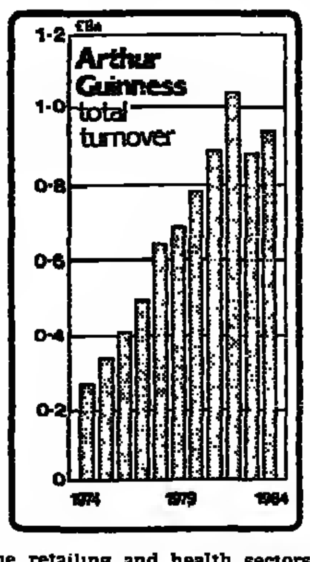
He says that in retailing, the acquisition of Martin's and the offer for 7-Eleven provide for "a leading position in the CTN market and the ideal entry vehicle in the fast growing convenience stores sector."

The Guinness World of Records was opened at the Trocadero centre in Picadilty, London, capitalising on the strong reputation of the Guinness Book of Records.

The acquisitions of Champneys and Nature's Best Health Products prepare the ground for a new health division with "excellent growth potential."

Mr Saunders tells shareholders that: "We have achieved much in the last three years in building a strong platform for growth.

"Our recent acquisitions in the retailing and health sectors provide an enterprising start for our plans."



Retained earnings for the year amounted to £16.1m (£13.1m), after tax of £25.1m (£20.7m), minorities of £7.3m (£7.9m), extraordinary debits of £9.8m (£7m) and dividends—the extraordinary items related to disposal, closure and reorganisation costs and associated companies.

See Lex

Higher profit and interim at Sidney Banks

With all divisions making increasing contributions, grain and agricultural merchant Sidney C. Banks has lifted its profit from £935,000 to £1.15m in the half-year ended October 31 1984. The interim dividend is raised from 2.75p to 3.25p net.

Mr J. P. Burr, chairman, is confident that the continuing extensions of the trading activities, together with improved returns from recent investments, will ensure that this "satisfactory position" continues for the rest of the year. In 1983-84 profit before tax was £1.37m and the final dividend came to 5.25p.

In his last report he expressed the hope of an improved performance for 1984-85, so long as the company was not affected by factors such as radical alterations in the European Common Agricultural Policy.

Turnover in the half year advanced by £10.5m to £61.22m. After tax £481,000 (£374,000) the net profit is £664,000 (£561,000) for earnings of 20.2p (17.3p) per share.

Dunlop gearing will stay high

Dunlop Holdings' gearing — net borrowings in relation to shareholders' funds — will remain at a very high level even after the financial construction, the company said in the document detailing the proposed financial reconstruction.

The company plans, however, to reduce gearing significantly during 1985 and 1985 through a rpogramme of divestments, it said.

Mr Robin Biggam, finance director, told a press conference the ratio "would not be far removed from 1:1 by the end of 1985" after allowing for proceeds of £90m from divestments already agreed and provisions resulting from earlier disposals.

Sir Michael Edwards, the chairman, added: "Gearing of 50-60 per cent is our guideline."

Dunlop's 58 banks and 3i (formerly Investors in Industry) will provide a package of revised secured UK banking facilities amounting to £260m. Of this £90m will be by way of a bridging facility to be repaid out of divestments, £70m by way of on-demand facilities and £100m by way of medium-term facilities.

In addition, the banks will make available ancillary facilities of about £60m, not in the form of borrowings, for trade related transactions, including the provision of letters of credit.

In view of the expected continuing high level of borrowings, Dunlop will seek approval, on a temporary basis, for its borrowings to rise to a multiple of twice the paid up share capital reserves and group surplus.

Group accounts to December 31 1983, which disclosed shareholders' funds of £110m, included substantial provisions to meet the cost of divesting the European tyre operations.

Current indications are that further substantial provisions will be required in relation to these operations and other past transactions.

The 1984 accounts will have to make provision for the rationalisation of the continuing business. The net adverse effect on shareholders' funds at December 31 1984 will be very substantial, Dunlop warned.

Group net borrowings amounted to £435m at November 24 (and were little changed at December 31) compared with £403m a year earlier, despite the receipt of £34m from divestments.

Dunlop will issue a total of 800m new shares comprising 308.2m under tha 15-for-seven rights issue; 206.1m under the placing with institutions including Prudential Corporation, Legal & General and 3i; and 285.7m under the conversion of £40m of bank loans to equity. The banks will also take up 30m redeemable preference shares at £1 each at par.

The preference shares will carry a cumulative dividend of 6 per cent net for the first three years and 7½ per cent net thereafter. They will be redeemable in 1996 or earlier at Dunlop's option.

The placing and rights issue have been underwritten by Hill Samuel and S. G. Warburg, while the placing and sub-underwriting of the rights was completed yesterday by Cazenove.

See Lex

Rights to raise £5m for First Castle

By Alison Hogan

First Castle Electronics, which manufactures products for the electronics, defence and nuclear power industries, is raising £5.1m through a one-for-three rights issue at 88p per share.

It is issuing 6.2m new shares through merchant bank Hill Samuel which will result in a substantial reduction in borrowings of £8.6m at December 28, 1984.

Mr Leslie Connor, chairman of First Castle, said that the group has grown considerably since it last raised funds in March 1982. It has continuing demands for additional working capital for different parts of the business.

In the technology products division it is expanding production capability for weapons simulation, custom electro-optics components and nuclear materials. It plans to expand its electronics industry procurement and distribution business, and Compuser, the company which manufactures colour monitors.

First Castle is also seeking further acquisitions in areas similar to its existing activities.

The rights issue document includes a pre-tax profits forecast for the year to January 1985 of £2.2m, up from £1.7m, on turnover to rise from £14.47m to £19m. The net divdend will be 2.117p, up from 1.2p.

Approximately 46 per cent of turnover will be exports.

The document includes details of the group's plans to acquire wto industrial units, for £1.3m in cash, which will be probably leased to European Ferries Group and City of Bradford Metropolitan Council. The investments are expected to result in taxation allowances which will reduce the taxation charge in the current year. The net cost should be £915,938.

Connor Finance Corporation and one of its subsidiaries are taking up their rights in full representing 6.1 per cent.

● comment

The £5.1m rights issue makes sense for First Castle Electronics. Its rate of growth has been rapid over the past couple of years and Leslie Connor has no intention of stopping here. Reduced borrowings and a wider equity base were necessary before embarking on further acquisitions. The group consists of very glamorous defence electronic products and appears to have captured some attractive niche markets including the supply of Boron used in the safety control of nuclear power, and SAWES the small arms simulation system. Connor has widened the management structure as the acquisitions have brought in new people experienced in the different fields and now seems strong enough to cope with further expansion. The range of products and clients should be sufficient to prevent the group being hit severely by any sudden cut back in defence spending. Pre-tax profits could rise to £2m in the year to January 1986 putting the shares, which slipped 1p yesterday to 107p, on a prospective P/E of 13.5.

Group Investors

Group Investors had a net asset value of 306.8p on December 31 1984, after deducting prior charges at par, and a value of 282.1p fully diluted for options outstanding. Six months earlier the figures were 272.7p and 249.1p respectively.

The net interim dividend is lifted from 1.2p to 1.3p. For the year to end-June 1984 a total of 3.7p was paid.

After tax of £87,625 (£89,560), available net revenue stood at £175,195 (£131,733). Stated net earnings per share emerged at 2.47p (1.89p), or fully diluted at 2.32p (nil).

Kenning down by £4m as pit strike weakens demand

THE MINERS' strike has seriously affected all main divisions of Kenning Motor Group, and the spin-off effect on local business has also been severe.

Announcing taxable profits of £7.54m for the year to September 30 1984 — some £4.21m short of last year's figure — the directors state that spending power in the colliery areas, where a large part of the company's motor and tyre depots are located, has been drastically reduced. There has also been some loss of direct business with the NCB.

Unless the dispute is resolved "in the near future" these depots will continue to produce poor results, they say.

The profit slump was foreseen at midway when the taxable figure was £3.09m down at £1.18m, and the directors downgraded their full year forecast to state that the outcome would be less than the £11.75m of 1982-83.

Despite the profit slump in the period under review, the stated earnings per share down from 19.9p to 10.8p, the final dividend is held at 4p net per share for an unchanged total of 6.5p.

Turnover rose by £45.85m to £372.29m — Kenning is engaged in car retailing, commercial vehicles, petroleum products and tyres, and is based in Clay Cross, Derbyshire.

Exceptional items, before interest, included redundancy and closure costs at £1.78m (£1.68m), less £1.46m (£1.65m) profit on the disposal of properties.

A breakdown of the pre-tax figure reveals a sharp fall in the UK market from £6.53m to £3.15m. In Europe the group turned a £23,000 loss into profit of £499,000, while U.S. operations provided a first ever return or £619,000, after U.S. interest charges of £1.18m. Zimbabwe added nearly £2m less at £3.26m.

Commenting on trading conditions, the directors say that the expected improvement in the UK during 1984 did not materialise, and the company has suffered badly. Problems still remain, particularly in the motor division which is slow to respond to treatment.

Hopefully, they say, the new overseas companies will make a higher contribution and despite the anticipated shortfall in Zimbabwe, the company is looking for an overall improvement this year, with no further depot closures contemplated at the present time.

● comment

Overall Kenning's figures contain few surprises for shareholders although the mix may not be as they had assumed. The downturn in Zimbabwe is fully expected but the shortfall in the UK looks much worse than anticipated and is only saved from damaging the total effect by an impressive showing in the U.S. and Europe. The NUM strike has obviously bitten deeper into domestic profits than expected, both in terms of sales to the NCB and the general collapse of spending in the mining areas. Food stores may feel a draught but when it comes to buying new cars miners have disappeared off the face of the earth. However, it is possible to construct an argument for a reasonable recovery this year. Profits could reach £9m assuming interest rates do not rocket —gearing is about 40 per cent. Looking back shareholders cannot be particularly pleased with Kenning's recent expansion efforts which have reduced eps from nearly 15p a share to 10.8p within two years. But an historic multiple of 9 combined with a 9½ per cent yield argue for holding on. Assets are worth 170p a share, against the 98p share price, and there must be some bid thoughts (the KIO owns 20.7 per cent) to add to recovery prospects. The opportunities are there for aggressive management.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Countryside Props	3.22	—	2.94	5.04	4.62
First Leisure	4.5	April	—	6.5	—
Fleming Claverhouse	6.2	—	5.25	6.7	7.5
Arthur Guinness	4.62†	March 5	4.1	6.44	5.76
Group Investors ...... int	1.3	April 4	1.2	—	3.
Kenning Motor	4	April 1	4	6.5	6.5
London & Clydeside‡	1.3	Feb 26	—	1.3	—
H. Samuel ...... int	1†	—	1*	—	4.17
Westpool Investment int	0.34	March 9	0.34	—	1.36
Sidney Banks ...... int	3.25	April 8	2.75	—	8
Bromsgrove Casting int	0.9	Feb 15	0.75	—	2.75

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Burton sales 33% ahead so far

Mr Ralph Halpern, chairman of the Burton Group, told yesterday's annual meeting that sales to date were 33 per cent ahead of those for the same period of the 1983-84 year.

He said the improvement was up on budget by a small amount but he was not prepared to disclose the underlying volume gains. "That," he told shareholders, "must wait for the interim figures."

The sales improvement was spread roughly equally between women's and menswear activities.

Capital expenditure for 1984-1985 was expected to exceed £75m, up from £67m last year. An additional 150 stores were planned this year, including 50 Principles at a cost of some £6m.

The group has set itself a target of more than 200 of these stores within the next three to four years representing an investment of more than £25m.

A chain of Principles stores for men is expected to be launched following last September's successful launch of the Principles womenswear theme. Mr Halpern promised more news on this front at the end of January.

He said the group had now passed the 1,000 shop mark for the first time. Total selling space last year increased by 400,000 sq ft

Burton Group pre-tax profits for 1983-84 rose from £39.12m to a record £56.41m. Turnover totalled £415.9m (£299.17m) of which menswear accounted for £222.12m (£155.2m) and womenswear £188.01m (£139.2m).

London and Clydeside profit ahead of forecast

London and Clydeside Holdings, one of Scotland's leading private sector housebuilders, returned pre-tax profits of £2.99m for the year to September 30 1984 and is paying a special final dividend of 1.3p net.

The results, the group's first since it joined the USM last June, compare with a forecast of £2.9m and the £1.22m attained the previous year.

House sales totalled 279 (232) and with unit sales for the current year starting well the directors look to the future with confidence.

Turnover for 1983-84 improved from £8.01m to £10.7m.

Tax accounted for £1.5m (£499,000) and earnings per 25p share emerged at 18p (9p) or at 12.4p before exceptional items. Overall, the results are viewed with "considerable satisfaction."

● comment

London and Clydeside got off to a rather unauspicious start on the USM last June. Amid general worries about the state of the building industry, rising interest rates and a falling stock market, the shares, placed at 108p fell to 88p, and have since crawled back to 100p, up 1p yesterday. They deserve to go higher. L & C has beaten its flotation forecast and, as it predicted, greatly strengthened the balance sheet by selling land to reduce gearing from a dangerously high 200 per cent to 50 per cent. It should see steady growth in house-building in the current year, perhaps building 310 homes, capitalising on the continuing demand for private housing in Scotland, where the existing proportion of public housing is much higher than in other parts of the country. On top of this, there should be some profits from two major commercial developments which have recently been completed. The company does not have the exceptional profit record of some other small USM-quoted builders like North West-based John Maunders, but the current discount to comparable companies is probably too great. Assuming pre-tax profits of £2m and a 35 per cent tax charge the multiple is just seven.

BIDS AND DEALS

GEC sells signmaker to Allied-Lyons

GEC has sold its signmaking subsidiary, Claudgen, to Allied-Lyons, where it is being mergeo with the brewing and food group's existing Oldham Signs operation. Combined annual turnover *is expected to exceed* £15m.

The new company will be called **Oldham Claudgen**, linking Claudgen's London-based production with the northern and Scottish facilities of Oldham, beadquartered in Leeds. Terms of the deals were not disclosed.

Each produces illuminated neon and other signs, although Claudgen's product range extends to fluorescent lighting, heating and electronic databoards.
tion.

● A *U.S. commercial paper* issue by Allied-Lyons has been rated A-1 by Standard and Poors and P-1 by Moodys. The issue, which is being limited to $80m, is being made through its Allied-Lyons North American holding company and backed by the guarantee of the parent.

Salomon Bros, advisers to Allied-Lyons, will trade the paper.

Allied-Lyons said it remained its intention to pursue U.S. growth both organically—through its Baskin-Robbins Ice cream, Tetley tea and other products—as well as by acquisition.

Hanson hits out at Powell Duffryn's profit performance

BY MARTIN DICKSON

Hanson Trust yesterday fired off a fresh broadside on its £170m takeover battle for Powell Duffryn with an attack on the profits record of the engineering and fule distributive group.

Hanson, whose offer reaches its first closing date on Friday, said in a letter to Powell Duffryn shareholders that their management's record over the past five years was "completely unimpressive." *It contrasted* the profits attributable to Hanson shareholders, which bad risen from £25.5m in 1980 to £122.2m in 1984, with a fall at Powell Duffryn from £8.8m to £3.5m.

The document said that £1,000 invested in Powell Duffryn at the start of 1980 would bava ben worth £2,450 on *December* 13, just before the bid was launched, while the same sum invested in Hanson would have been worth £10,700.

The letter noted that Powell Duffryn shares now stood some 26 per cent above the pre-bid level and questioned what the price would be if the Hanson offer lapsed.

Hanson's all-paper offer was worth 437p for each Powell Duffryn share at last night's Hanson *close* of 328p, *up* 6p on the day. Powell Duffryn shares closed last night at 422p, up 2p.

Powell Duffryn's defence document, released last week, forecast a 6 per cent rise in pre-tax profits this year and said Hanson's offer would mean a "drastic reduction in income, earnings and assets" for the company's shareholders.

W. Allen in bid talks

Shares in W. G. Allen & Sons (Tipton), the lossmaking west Midlands boiler manufacturer and engineer, jumped 13p to 37p yesterday after an announcement by the board that it was in discussions which might lead to a full hid "at around the current market price."

The release last September of an unexpectedly poor result for the year to *March* 1984 had *left* the shares at or near their 24p low until yesterday. Pre-tax lossses deepened from £119,000 *to* £405,000

These included the deferral of some UK contracts and what the company described as the virtual closure *of* its major ex port markets in Nigeria, Iran and Iraq.

No dividend has been paid on the 25p shares since the 3.108p total for the 1980-81 year. Losses per share by last March reached 11.31p.

L & M will recommend £3m Amal. Estates deal

THE BOARD of London and Manchester Securities, e property development company quoted on the USM, has decided to recommend the £3m all-paper bid made by Amalgamated *Estales, the property investment* company.

The directors, who hold some 40 per cent of London and Manchester's equity, said they would themselves be accepting the offer, which was in the best interest of the company. The combined business would constitute "a stronger group, better able to take advantage of property development and investment opportunities."

Amalgamated is offering two of its ordinary shares, which closed last night unchanged at 4½p, for each London and Manchester ordinary, which closed at 9p, down ½p.

Tha Amalgamated offer came hard on the beels of an agree*ment* last month under which London and Manchester is buying for £2.5m a private investment company, T and P Investments. T and P in turn owns a 44 per cent stake in Promotions House, which bas a 29 per cent stake in Amalgamated's equity.

London and Manchester, which reversed into Carlton Real Estates last January, is chaired hy Mr Graeme Jackson, who said in October that there were too many small, publicly quoted property companies In Britain and the industry needed substantial consolidation.

Further expansion by Expamet with £4.8m acquisition

BY GORDON CRAMB

APT Controls, a London-based supplier of wheel clamps, parking meters and vehicle access barriers is the latest acquisition planned by Expamet International, the industrial holding company.

Expamet, which has been striving to reduce its reliance on component sales to the depressed UK housebuilding industry, has also lowered its expectations for 1984 group profits growth.

However, earnings were still expected to emerge higher than 1983's £2.78m pre-tax, he said, but would not be as far ahead as the board had originally hoped.

Expamet will pay £4.77m for the privately-owned APT — nearly three times the total paid for the three businesses it took over last year.

It intends to finance the purchase with £4.535m in cash and the issue of 250,000 shares, priced at Monday's close of 92p.

Its pre-tax profits for the year to end-March 1984 amounted to £931,000 on turnover of £3.97m. Net assets at that date stood at just £764,000.

Taxable earnings for the following six months have been put at £587,000, and APT's owners have warranted a full-year result to March 1985 *of not below* £900,000.

Expamet has called an EGM on February 4 to approve the deal.

Whitbread builds up 5% stake in Matthew Brown

Whitbread Investment Company, the investment arm of Whitbread, tha brewer, has increased its investment in **Matthew Brown**, the regional brewer.

However, the company denied yesterday that Its increased share stake, up from 1.5 per cent to 5.04 per cent, was a prelude to a full takeover bid.

It said the total investment in Matthew Brown, of around £3.5m, should be viewed as an investment exercise rather than a trading one. Whitbread added that it was not trying to ward off any *potential* takeover hy another brewer.

Britannic Assurance held a 9.5 per cent stake in Matthew Brown as at December 3, 1984 but as far as the brewing company's directors are aware there are no other shareholdings in excess *of* 5 per cent.

BIDS AND DEALS IN BRIEF

Senior Engineering Group completed the sale of its subsidiary companies **Ozonair Engineering Co** and **Climavent SA** to **Hunter International** on January 10 1985, for en amount equal to the net asset value of both companies plus £375,000 in respect of goodwill.

Senior has been paid £1.5m in respect of the disposal partly on account of inter-company indebtedness and the balance will be paid at the end of February 1985 on tha basis of the 1984 accounts. The total consideration comprising repayment of loans and sale of shares is expected to be about £1.9m.

* * *

Dealings in the shares of **Whitworth's Food Group** are due to open on the USM next Monday, and not on January 30 as stated yesterday.

* * *

Two partners of accountants Ernst and Whinney have been appointed joint liquidators for **Tomatin Distillers**.

Bill Roberts of Ernst and Whinney's London office and Stuart Fraser of the firm's Glasgow office said after their appointment that they would seek a purchasar for the distillery in Tomatin, Inverness-shire, in the hope that this would result in a *continuation of* the distillery's operation as a going concern.

* * *

Guinness Peat has completed arrangements to acquire for £1m cash 770,000 new ordinary shares of **Berkeley Exploration and Production** which are being issued to Page Petroleum, a Canadian company, in respect of the sale of its UK subsidiary Page Petroleum (UK), a licensee in 29/8B and 29/8B. Following completion, Guinness Peat, which initiated tha transaction with Page, will hold approximately 7 per cent of Berkeley's enlarged issued capital.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCK DESCRIBED BELOW IS NOT AVAILABLE FOR *PURCHASE DIRECT FROM* THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCK ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON WEDNESDAY, 16th JANUARY 1985.

PARTICULARS OF AN ISSUE OF £800,000,000

10½ per cent EXCHEQUER STOCK 2005

SCHEDULE OF PAYMENTS

Amount paid on issue	£40.00 per cent
Amount payable on Monday, 18th February 1985	£58.00 per cent

INTEREST PAYABLE HALF-YEARLY ON 20th MARCH AND 20th SEPTEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

The whole of the Stock has been issued to the Bank of England on 14th January 1985 at a price of £98.00 per cent. The amount paid on issue was £40.00 per cent and the amount payable on 18th February 1985 will be £58.00 per cent.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 20th September 2005.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, *in multiples of one penny, by instrument in writing in* accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 20th March and 20th September. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 20th September 1985 at the rate of £6.5672 per £100 of the Stock.

Until payment in full has been made and a completed registration form submitted to the Bank of England, the Stock will be represented by letters of allotment.

Payment in full may be made at any time prior to 18th February 1985 but *no discount will be allowed on such* payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as tha Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA on any date not later than 14th February 1985. Such requests must be signed and must be accompanied by the letters of allotment.

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the final instalment is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than *18th February* 1985.

Copies of this notice may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow, G1 2EB; at the Bank of Ireland, Moyna Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; at Mullens & Co., 15 Moorgate, London EC2R 6AN; or at any office of *The Stock Exchange in* the *United Kingdom.*

BANK OF ENGLAND
LONDON

14th January 1985

UK COMPANY NEWS

MINING NEWS

Amoco to think again on role in Ok Tedi venture

BY KENNETH MARSTON IN LONDON AND MICHAEL THOMPSON-NOEL IN SYDNEY

Amoco Minerals, part of the Standard Oil of Indiana group, is thinking of pulling out of its 30 per cent stake in the troubled A$1.6bn (£1.16bn) Ok Tedi copper-gold mining venture in Papua New Guinea.

Such is the group's disillusionment with its diversification into mining, that Standard has already announced that it intands to spin off to shareholders its loss-making mining interests in the U.S., which are also held by Amoco Minerals.

The other partners in Ok Tedi are Australia's Broken Hill Proprietary (30 per cent), which bas been taking the leading role at recent project meetings, a West German consortium (20 per cent) and the Papua New Guinea Government (20 par cent).

The problems of Ok Tedi are that while successful mining of the mountainous deposit's gold ore has begun, the venture is crippled with a beevy debt burden. Spending so far amounts to some U.S.$1.2bn, of which 30 per cent is represented by equity.

Meanwhilo, the PNG government has been growing impatient at the lack of progress made by the partners in moving on to the second stage of the project which would extend mining operations to hte copper ore as well. This would involve further heevy expenditure of soma A$400m of which Amoco would, of course, remain responsiblo for its share.

Concerned at tho low uneconomic level of copper prices, the partner companies ere expected to press for a postponement, or a more gradual phasing in, of stage two. They are due to meet PNG government representatives in Melbourne today to find soma compromise agreement.

Tha PNG government, which has already beld back part of its share of the funds reqnired for stage one has been reported to bave threatened to close down the venture unless it is given guarantees that the second stage of development will proceed.

A spokesman for the partner companies said in Papua New Guineaday that it was "premature to predict a shutdown." Ho odded: "What we are talking about is a possible change to the originally agreed proposals. It does not seem realistic at this point to meet the original timetable."

What remains to be seen is whether Amoco will take the opportunity at these talks to find a way of pulling out of the venture on acceptable terms, while remaining responsible for its share of the costs incurred so far.

Such a move could lead to a restructuring of the timetable and scope for the development of the venture: the chances of finding a replecement partner for Amoco must be remote. Furthermore, a major financial structuring would now seem to be vital if Ok Tedi is to continue in anything like its present form.

Standard Oil's mining retreat, see Page 26

RTZ plan to help tin mine

RIO TINTO-ZINC group has moved quickly to ensure a future for South Crofty tin mine near Redruth in Cornwall.

RTZ acquired full ownership of the mine in November when it hought Charter Consolidated's 60 per cent interest for £8.5m plus loan repayment of £980,000.

The group is seeking planning permission from Cornwall County Council to construct surface buildings from which to drive a declining adit — or passage — which will evontually be three miles long.

Tho planning committee yesterday accepted a report from Mr Colin Griffin, chief planning officer. The report said RTZ felt two existing shafts provided only severely limited access to the underground workings, threatening the *operation's financial* viability.

The local authority is not expected to refuse planning permission for the development,

First Leisure lifts profit by 50%

First Leisure Corporation, which went public last April, hoisted pre-tax profits by 50 per cent from £4.5m to £6.75m for the 12 months to October 31 1984. Lord Delfont, the chairman, says that the furthar progress to which he referred last year bas been more than fulfilled.

Although a profit forecast was not included in the prospectus, the directors indicated a dividond for the 1983-84 year of not less than 6p net. In the event, a final payment of 4.5p makes a total of 6.5p per £1 share.

Based on projections for 1984-85 and taking account of trading in the past few months, Lord Delfont believes that the company can look forward to more satisfactory progress, subject to no further deterioration in the industrial scene.

"Our strong financial base, backed by negotiated lines or credit, puts us in a strong position to exploit, by acquisition, businesses where our proven expertise can be applied and where there is real synergy with our existing operations," he adds.

Roferring to the miners' strike, Lord Delfont says that undoubtedly the disputo has created much uncertainty and while the group's overall results are very satisfactory, a number of units might have performed better were it not for this. It is, however, difficult to assess, be states.

Turnover for tho year under review was slightly lower at £41.38m (*£41.97m*), *although* the contribution from retained businesses increased from £37.07m to £40.53m. Disposed businesses accounted for £0.85m (£4.9m).

Lord Delfont reports that tho *group's programme of disposals* has been completed ahead of schedule. During the year the most significant disposal was the St Ives self-catering holiday village. The chairman explains that whilo the site was in ideal surroundings, a one-off unit of this kind is very difficult to market on a cost-effective basis.

A £302,000 profit on the sale of the holiday village was included in extraordinary items. However, a provision of £550,000 for deferred tax meant an overall charge of £248,000. Previously, a £1.04m debit mainly comprised the costs arising from the acquisition of the leisure businesses of Trusthouse Forte.

Tax charge showed a sharp increase to £1.74m, compared with a minimal £128,000 due to the availability of various capital allowances arising from the purchase of the leisure interests. With this higher charge, and with only second-half results benefiting from the offer for sale proceeds, earnings per *share showed a small* decrease to 22.7p (23.6p) basic or 21.7p (22.7p) fully diluted.

As indicated in the offer for sale, a revaluation of the group's freehold and long leasehold *interests has been carried* out. This revaluation, amounting to £44.52m as at March 1 1984, has been incorporated in tho balance sheet figures as at October 31 1984, and the resultant surplus of £8.27m has been taken to a revaluation reserve.

● comment

Lord Delfont knows how to please a crowd—and investors who bid up First Leisure in advance of these results were not left disappointed. Tho sharos closed unchanged yesterday at 256p, close to the all-time high of 262p, and well above last year's 180p flotation price. The company has bad to work very hard to raise pre-tax profits by 50 per cent from static turnover, held back by the depressing effect of the miners' strike on the group's entertainments in Blackpool and elsewhere in the North. Admittedly, about half the profits growth is accounted for by a reduced interest charge, *which is itself the cash* raised at the flotation. But the other half comes from increased trading profits. In such a mixed bag of leisure activities it is inevitable that some parts are more successful than others—the expensive re-fit of Blackpool Tower has heen a hit, the discos are booming, and bowling alleys are making a surprise come-back. Lord Delfont is still talking of acquisitions, possibly up to *£40m*; nothing is certain yet, but it is the sort of comment which goes down well with investors. In the current year, the group could make £7.5m on a similar tax charge putting the shares on a multiple of under 12. Fair value for a lively small company in a growth sector dominated by bigger groups.

Randfontein surges despite lower gold selling price

A SHARPLY increased net profit of R75.4m (£30m) for the *December quarter is reported by* the Johannesburg Consolidated group's major South African gold producer, Randfontein Estates. This is in the face of an average lower gold price received by the mine of only R17,964 per kilogramme, compared with the avorage ruling in the period of some R19,400.

The lower price received reflects currency hedging operations for part of the company's expected future gold and uranium revenue, "not a good decision, with the benefit of hindsight," says Dr Fred Roux, a director of Ranfontein.

Still, the mine has benefited from increased production in the quarter, lower unit costs, and a reduced tax charge which arose from an increase in deductable capital expenditure. The proposed rearrangement of shaft facilities in the new Doornkop section is expected to result in capital expenditure savings and a more rapid build-up in production.

The group's marginal gold and uranium-producing Western Areas *has fared less* well. In this case the gold price received has averaged R16,410, against R16,027 in the September quarter, again as a result of necessary forward dealings which, in this case, involve gold and currency contracts.

At the same time the mine's production was down, with it still being in process of recovery from tho labour dispute in September. Lower working profits coupled with a cautious view of the earnings prospects for the rest of the financial year to June 30 have allowed a tax credit on the latest occasion, with the result that the net profit comes out above that of the previous three months.

Higher earnings for the December quarter were achieved *by all* the gold *and* base metal mines in the Anglovaal group. The gold producers sell a forward part of their production but do not disclose prices received on a quarterly basis.

Even so, Hartebeestfontein has done well with the aid of increased production, although its increased December quarter net profit is still below that of the June period. Helped by a better ore grade and a profit of R4.6m from gold options exercised, Loraine has also done better despite a fall in the amount of ore milled.

Of the base metal producers, Consolidated Murchison's antimony and gold sales decreased. But because of an increase in capital expenditure there was a tax credit which left the mine with a higher net profit for the quarter.

For the 12 months to December 31 (the company is changing its accounting period to a June 30 year-end) Murchison has lifted net profits from R5.9m to R15.2m. But it warns that profits are unlikely to be maintained at the same level this year because dollar antimony prices are softening and the mine's stockpile has been run down.

Prieska has earned more than in the previous three months thanks to increased shipments of zinc concentrates — which exhausted stocks — and higher non-mining income.

	Dec. qtr. R000	Sept. qtr. R000	June qtr. R000
Randfontein	75,448	45,933	66,287
Western Areas	18,072	16,210	15,700
Hartebeestfontein	30,380	26,679	34,179
Loraine	11,763	7,571	2,285
Cons. Murchison	4,745	2,943	4,943
Prieska	10,229	8,126	†7,727
East Transvaal	5,225	4,706	†7,371

† Restated.

Pineapple up 9p on denial of 'collapse' speculation

THE SHARE price of Miss Debbie Moore's Pineapple Dance Studios yesterday recovered some of the *ground lost after a steep* fall on Monday.

Pineapple's shares gained 9p to 71p, following the previous day's 16p decline to 62p. The drop was believed to have been linked to weekend press speculation that the health and fitness industry was in collapse.

Miss Moore, who chairs the company, denied yesterday that this was tho case. Attendances at Pineapple's studios had doubled in the past three months, while dancewear sales were up 35 per cent over the same period to an annualised rate of £1m, she said.

Ms Moore conceded that a small number of "amateurs" had gone out of the business recently, but their failure was not representative of the state of the market.

Pineapple's shares were placed on the USM at 52p in November 1982. Last month, the group reported a rise in taxable profits from £156,000 to £209,000 for the year to July. The group is capitalised at £2.6m at yesterday's closing price.

COMPANY NEWS IN BRIEF

The net asset value of Fleming Claverhouse Investment Trust stood at 319.23p at the end of 1984, compared with 256.32p a year earlier.

The final dividend is lifted from 5.25p to 6.2p net, making 8.7p (7.5p). Investment income rose from £1.11m to £1.33m, and net revenue, after tax of £376,013 (£335,336), emerged at £879,168 (£759,095).

Stated net earnings per 50p share were higher at 8.79p (7.59p).

* * *

Trading in the current year was extremely buoyant at Brikat Group, producer and distributor of Pegasus packaged business accounting software, Mr Derek Moon, chairman, told the annual meeting.

Mr Moon said the enhancement and expansion of Pegasus and tho group's expansion in the distribution of Microsystems at home and overseas were on target.

* * *

The interest rate for this week's issue of local authority bonds is 11¼ per cent, up 1¼ percentage points from last week and compares with 10¾ per cent a year ago. The bonds are issued at par and are redeemable on January 22 1986.

A full list of issues will be published in tomorrow's edition.

* * *

Kenmac Construction Company, of Sandiway, Cheshire, is in receivership. The company, a civil engineer involved in sewerage construction and maintenance contracts, employs about 60 people.

The receivers, Thornton Baker, are reviewing the position with the hope of selling the business as a going concern.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—AGB Research, Aerospace Engineering, Biotechnology Investments, Commercial Estates, Fleming Technology Investment Trust.

Finals:—Bett Brothers, County Properties, Glass Glover, Goring Kerr, Greenwich Cable Communications, Kennings Estates, Raeburn Investment Trust, Southern Business Leasing, Standard Securities, TACE, Trusthouse Forte.

FUTURE DATES

Interims—

Access Satellite International	†Jan 28
Beales (John)	Jan 24
Bevan (D. F.)	Jan 23
Consolidated Gold Fields	Mar 5
Dysons (J. and J.)	Feb 1
Estates Property Investment	Jan 23
Fleming Enterprise Inv. Trust	Jan 31
Hallite	Jan 24
Hampson Industries	Jan 22
Hillards	Jan 29
Mezzanine Capital	Feb 4
Mid Wynd Intnl. Inv. Trust	Feb 7
Property Security Inv. Trust	Jan 24
Reemor	Jan 21
Smith (David S.)	Jan 17
Stewart Plastics	Jan 23
Symonds Engineering	Jan 17
Textured Jersey	Feb 4
Transcontinental Services	Jan 22
United Packaging	Jan 22
Vibroplant	Jan 28
Western Board Mills	Jan 17

Finals—

Blundell-Permoglaze	Jan 31
Kenick Leisure	Jan 22
Leda Investment Trust	Jan 29
Manchester Ship Canal	Feb 11
Ruo Estates	Jan 25

† Amended.

Anglovaal Group

Mining companies' reports – Quarter ended 31 December 1984

All companies mentioned are incorporated in the Republic of South Africa.

All financial figures for the quarter and progressive figures for the year to date, except those of Loraine Gold Mines, Limited for the quarter and financial year ended 30 September 1984, are unaudited.

Rate of exchange on 31 December 1984, R1,00 = £0,43, £1,00 = R2,34.

Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.

Shareholders requiring copies of these reports regularly each quarter, should write to the Secretaries, Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.

Hartebeestfontein Gold Mining Co Ltd

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 31 Dec. 1984	Quarter ended 30 Sept. 1984	Six months ended 31 Dec. 1984
Operating results			
Gold			
Ore milled ... t	784 000	773 000	1 557 000
Gold recovered ... kg	7 906,00	7 725,00	15 631,00
Yield ... g/t	10,1	10,0	10,0
Revenue ... R/t milled	172,40	158,38	165,44
Costs ... R/t milled	76,86	78,28	77,57
Profit ... R/t milled	95,54	80,10	87,87
Revenue ... R000	135 162	122 427	257 589
Costs ... R000	60 262	60 507	120 769
Profit ... R000	74 900	61 920	136 820
Uranium oxide			
Pulp treated ... t	784 000	773 000	1 557 000
Oxide produced ... kg	107 045	114 970	222 015
Yield ... kg/t	0,14	0,15	0,14
Financial results	R000	R000	R000
Working profit – gold mining	74 900	61 920	136 820
Profit from sales of uranium oxide, pyrite and sulphuric acid	6 949	4 734	11 683
Non-mining income	7 615	8 508	16 123
	89 464	75 162	164 626
Interest paid	403	384	787
Net royalty payments	4 463	2 703	7 166
Profit before taxation and State's share of profit	84 598	72 075	156 673
Taxation and State's share of profit	54 218	45 496	99 714
Profit after taxation and State's share of profit	30 380	26 579	56 959
Capital expenditure	7 231	4 768	11 999
Appropriation for loan repayments	1 534	41	1 575
Dividends	36 400	—	36 400
	45 165	4 809	49 974
Development			
Advanced ... m	7 717	6 008	15 725
Sampling results on Vaal Reef			
Sampled ... m	660	584	1 244
Channel width ... cm	56	73	64
Channel value – gold ... g/t	32,8	15,0	23,3
... cm.g/t	1 838	1 104	1 492
– uranium oxide . kg/t	0,50	0,38	0,44
... cm.kg/t	27,78	28,24	28,00

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 31 December borrowings totalled R12 479 000 (1983: R17 155 000) of which long-term borrowings amounted to R9 329 000 (1983: R14 005 000) and short-term to R3 150 000 (1983: R3 150 000).

Hedging transactions
The Company has sold portions of its future gold production on a fully-hedged basis as detailed below:

Quarter ending	Kg of gold sold	Average realisable value per kg sold
March 1985	746,5	R18 742
June 1985	1 990,7	R19 154
September 1985	1 399,7	R21 035
December 1985	558,9	R23 647

Revenue derived from the sale of gold takes into account the results of hedging transactions.

Dividend
Interim dividend No. 58 of 32,5 cents per share was declared in November 1984 and is payable in February 1985.

Capital expenditure
Outstanding commitments at 31 December 1984 are estimated at R6 571 000 (30 September 1984: R8 994 000).

For and on behalf of the board
B.E. Hersov
D.J. Crowe
Directors

Directors: B.E. Hersov D.M.S., Hon. LL.D. (Chairman), B.L. Bernstein Hon. LL.D., D.J. Crowe*, W.B. Evans, E.P. Gush, W.R. Lawrie, W.W. Malan, Clive S. Menell, R.J. van Emmenis
Alternate directors: P.J. Eustace, M.D. Henson, C.L. Sunter, J.E. van Niekerk, D.J. Viljoen, R.A.D. Wilson
*British

16 January 1985

Prieska Copper Mines (Pty) Ltd

Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 31 Dec. 1984	Quarter ended 30 Sept. 1984	Six months ended 31 Dec. 1984
Operating results			
Ore milled ... t	723 000	731 000	1 454 000
Concentrates produced			
Copper ... t	22 414	24 147	46 561
Zinc ... t	39 745	38 560	78 305
Concentrates despatched			
Copper ... t	19 801	27 907	47 708
Zinc ... t	55 665	46 340	102 005
Financial results	R000	R000	R000
Operating profit	18 010	14 848	32 858
Non-mining income	2 457	1 420	3 877
	20 467	16 268	36 735
Interest paid	—	5	5
Profit before taxation	20 467	16 263	36 730
Taxation	10 238	8 137	18 375
Profit after taxation	10 229	8 126	18 355
Capital recoupments	(9)	(11)	(20)
Dividends	16 200	—	16 200
	16 191	(11)	16 180
Development			
Advanced ... m	1 236	1 053	2 289

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

Dividend
Interim dividend No. 3 of 30 cents per share, declared in November 1984, was paid in December 1984.

Capital expenditure
There were no outstanding commitments at 31 December 1984 (30 September 1984: nil).

For and on behalf of the board
D.J. Crowe
R.A.D. Wilson
Directors

Directors: D.J. Crowe** (Chairman), B.E. Hersov D.M.S., R.L. L'Esperance*, J.F. Machamer*, D.G. Mackinnon*, Clive S. Menell, J.A. Roselli*, R.A.D. Wilson
Alternate directors: D.A. Blaine, A.J. Brink, M.D. Henson, W.W. Malan
*American **British

16 January 1985

Eastern Transvaal Consolidated Mines, Ltd

Issued capital: 4 316 878 shares of 50 cents each

	Quarter ended 31 Dec. 1984	Quarter ended 30 Sept. 1984	Six months ended 31 Dec. 1984
Operating results			
Ore milled ... t	83 000	85 500	168 500
Gold recovered ... kg	847,38	909,70	1 757,08
Yield ... g/t	10,2	10,6	10,4
Revenue ... R/t milled	190,66	185,19	187,89
Costs ... R/t milled	85,36	73,19	79,19
Profit ... R/t milled	105,30	112,00	108,70
Revenue ... R000	15 825	15 834	31 659
Costs ... R000	7 085	6 258	13 343
Profit ... R000	8 740	9 576	18 316
Financial results	R000	R000	R000
Working profit – gold mining	6 740	9 576	18 316
Non-mining income	688	551	1 239
	9 428	10 127	19 555
Prospecting expenditure	773	491	1 264
Profit before taxation	8 655	9 636	18 291
Taxation	3 430	4 930	8 360
Profit after taxation	5 225	4 706	9 931
Capital expenditure	2 648	1 850	4 498
Dividends	3 238	—	3 239
	5 886	1 850	7 736
Development			
Advanced ... m	1 312	1 147	2 459
Sampling results:			
Sampled ... m	586	611	1 197
Channel width ... cm	216	209	213
Channel value ... g/t	3,9	3,8	3,9
... cm.g/t	859	796	828

Hedging transactions
The Company has sold portions of its future gold production on a fully-hedged basis as detailed below:

Quarter ending	Kg of gold sold	Average realisable value per kg sold
June 1985	186,6	R19 687
September 1985	84,0	R20 402

Revenue derived from the sale of gold takes into account the results of hedging transactions. Also included is a profit of R1 806 000 arising from the exercise of certain gold options during the quarter.

Dividend
Interim dividend No. 69 of 75 cents per share was declared in November 1984 and is payable in February 1985.

Capital expenditure
Outstanding commitments at 31 December 1984 are estimated at R1 623 000 (30 September 1984: R2 537 000).

For and on behalf of the board
R.A.D. Wilson
D.J. Crowe
Directors

Directors: R.A.D. Wilson (Chairman), D.J. Crowe*, M.D. Henson, B.E. Hersov D.M.S., W.W. Malan, Clive S. Menell, J.E. van Niekerk
*British

16 January 1985

Consolidated Murchison Ltd

Issued capital: 4 160 000 shares of 10 cents each

	Quarter ended 31 Dec. 1984 R000	Quarter ended 30 Sept. 1984 R000	Twelve months ended 31 Dec. 1984 R000
Financial results			
Sales of antimony concentrates less realisation charges	8 081	8 051	32 556
Gold sales	2 528	2 823	10 848
Sundry mining income	18	23	102
	8 627	10 897	43 506
Working costs	8 475	6 100	23 223
Working profit	2 152	4 797	20 283
Non-mining income	402	327	1 475
	2 554	5 124	21 758
Prospecting expenditure and interest paid	231	369	1 183
Profit before taxation	2 323	4 755	20 575
Taxation	(2 422)	1 812	5 363
Profit after taxation	4 745	2 943	15 212
Capital expenditure	7 008	994	8 275
Dividends	2 496	—	4 160
	9 504	994	13 435

REVIEW OF OPERATIONS FOR THE 12 MONTHS ENDED DECEMBER, 1984

1. **Year-end change and adjustments**
It was announced on 20 December 1984, that the Company's year-end has been changed from 31 December to 30 June. Certain adjustments to the previously published financial results for the 9 months ended September 1984, were made during the quarter ended December. These adjustments related mainly to the early delivery of foreign currency against forward exchange contracts and had the effect of reducing the profit before tax for the quarter by a net amount of R988 000.

2. **Dividend**
A second interim dividend No. 74 of 60 cents per share was declared in December 1984, payable in February 1985, making a total of 100 cents per share for the twelve months ended 31 December 1984.

3. **Capital expenditure**
It was announced during June 1984 that the board had decided to proceed with the deepening of the Monarch East Shaft at an estimated escalated cost of R15,6 million. The project was expected to commence during 1984 and continue through to 1988 with the bulk of the capital expenditure being incurred in 1986. The original scheme envisaged that production of ore from the Monarch East Shaft would continue during sinking operations. After further evaluation of both the technical and financial aspects, the project can be more efficiently undertaken if the shaft is used exclusively for sinking operations. As sufficient ore can be made available from other shafts to maintain concentrate production at the planned level, the project has been accelerated and expenditure of R6,0 million has already been incurred. It is now estimated that the project will be completed during 1987.

The Company's low alkalinity pressure cyanidation plant continues to operate successfully and has been used to recover gold from current concentrate production. Approximately R1,0 million will be spent on augmenting this plant during the first half of calendar 1985 to enable it to commence the recovery of gold from the arsenical middlings dump.

Outstanding commitments at 31 December 1984 are estimated at *R8 406 000 (30 September 1984: R153 000), of which R8,0 million relates to* the Monarch East project.

4. **Production and sales**
During the 12 months ended December 1984, 514 200 tons of ore were milled. Production of antimony sulphide concentrates totalled 12 715 tons with an average antimony content of 57,5%. 787 Kilograms of gold were produced of which 343 kilograms were recovered in the gravity plant, 230 kilograms in the pressure cyanidation plant and 214 kilograms from the slag generated by Antimony Products (Pty) Limited.

Consolidated Murchison Ltd – *continued*

A total of 20 624 tons of concentrate was sold during the 12 months ended December and concentrate stocks at the end of December had reduced to 1 106 tons.

5. **Outlook**
US dollar antimony prices continued to firm during the first half of the 1984 calendar year but remained more or less static during the second half. There is now some evidence in the market place of a softening of prices. In addition, the Rand exchange rate and prospects for the gold price are uncertain. Since the concentrate stockpile has been run down, the volume of concentrate sales will be determined by market conditions and the level of production. In these circumstances, it is unlikely that the level of profit achieved during the 12 months ended December 1984, will be maintained in calendar year 1985.

For and on behalf of the board
C. Carrington
R.A.D. Wilson
Directors

Directors: C. Carrington* (Chairman), R.A.D. Wilson (Deputy Chairman), B.E. Davison (Managing Director), R. C. Bertram, V.G. Bray, D. J. Crowe*, B.E. Hersov D.M.S., B.J. Jackson*, W.W. Malan, Clive S. Menell
Alternate directors: P.W.J. Coenent, P.J. Cronshaw*
*British †Dutch

16 January 1985

Loraine Gold Mines Ltd

Issued capital: 18 366 986 shares of R1,00 each

	Quarter ended 31 Dec. 1984	Quarter ended 30 Sept. 1984	Financial year ended 30 Sept. 1984
Operating results			
Ore milled ... t	394 000	420 000	1 601 000
Gold recovered ... kg	2 210,85	2 228,57	8 390,06
Yield ... g/t	5,6	5,3	5,2
Revenue ... R/t milled	108,19	92,29	82,86
Costs ... R/t milled	79,96	75,36	75,30
Profit ... R/t milled	28,23	16,93	7,56
Revenue ... R000	42 628	38 761	132 662
Costs ... R000	31 504	31 651	120 553
Profit ... R000	11 124	7 110	12 109
Financial results	R000	R000	R000
Working profit – gold mining	11 124	7 110	12 109
Profit from sales of uranium oxide, pyrite and treatment of stockpiled calcines	486	614	1 579
Non-mining income	839	1 657	2 035
	12 449	9 381	15 723
Interest paid, stores adjustment and service benefits	640	1 826	3 518
Tributing royalty payable	46	(16)	(17)
Profit	11 763	7 571	12 222
Capital expenditure	637	726	8 145
Loans received and adjustments for currency fluctuations	—	10 153	10 153
	637	(9 427)	(1 008)
Appropriation for loan repayments	2 297	1 371	5 541
	2 934	(8 056)	4 533
Development			
Advanced ... m	8 986	7 038	28 506
Sampling results:			
Kimberley reefs			
Sampled ... m	178	38	364
Channel width ... cm	34	55	123
Channel value ... g/t	30,1	42,3	6,6
... cm.g/t	1 021	2 337	815
Basal reef			
Sampled ... m	536	172	1 064
Channel width ... cm	8	8	8
Channel value ... g/t	73,9	85,0	93,0
... cm.g/t	621	680	744
Eldorado reefs			
Sampled ... m	804	818	2 936
Channel width ... cm	92	113	111
Channel value ... g/t	18,8	9,6	8,5
... cm.g/t	1 735	1 078	945
Total – all reefs			
Sampled ... m	1 518	1 028	4 364
Channel width ... cm	56	93	87
Channel value ... g/t	22,6	11,4	10,2
... cm.g/t	1 258	1 058	882

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 31 December borrowings totalled R18 269 000 (1983: R15 651 000) of which long-term borrowings amounted to R5 752 000 (1983: R9 241 000) and short-term to R12 517 000 (1983: R6 410 000).

Hedging transactions
The Company has sold portions of its future gold production on a fully-hedged basis as detailed below:

Quarter ending	Kg of gold sold	Average realisable value per kg sold
March 1985	1 337,4	R18 430
June 1985	964,2	R19 328
September 1985	808,7	R21 558
December 1985	1 026,4	R23 886

Revenue derived from the sale of gold takes into account the results of hedging transactions. Also included is a profit of R4 598 000 arising from the exercise of certain gold options during the quarter.

Taxation
No taxation or State's share of profit was payable as the Company has assessed losses.

Capital expenditure
Outstanding commitments at 31 December 1984 are estimated at R757 000 (30 September 1984: R999 000).

For and on behalf of the board
D.J. Crowe
R.A.D. Wilson
Directors

Directors: D.J. Crowe* (Chairman), F. Bentley*, W.B. Evans, B.E. Hersov D.M.S., G.C. Krafft, W.W. Malan, Clive S. Menell, S.W. van der Colf, R.A.D. Wilson, G.S. Young
Alternate directors: F.S. Clarke, T.S. de Souza, P.J. Eustace, D. J. Viljoen
*British

16 January 1985

GUINNESS MAHON

The Company is an open-ended investment company which was incorporated under the name Guinness Mahon Distributor Fund Limited with registered number 12467 under the provisions of the Companies (Guernsey) Laws 1908 to 1973 with limited liability in Guernsey on 5th January, 1984 and has an authorised share capital of U.S. $100,000. An offer for subscription of not more than 9,900,000 Participating Redeemable Preference Shares of 1 cent each (such Shares then being known as "Distributor Shares") was made on 12th January, 1984. 3,345,000 Distributor Shares issued and to be issued were admitted to the Official List of The Stock Exchange, London on 6th April, 1984. By Special Resolutions passed at Extraordinary General Meeting of the Company held on 18th December, 1984 and 4th January, 1985, Guinness Mahon Distributor Fund Limited changed its name to Guinness Mahon Global Strategy Fund Limited and adopted new Articles of Association including, inter alia, provision for the creation and issue of such classes of Participating Shares as may be designated from time to time by the Directors. The several classes set out below are those which have been so designated at the date hereof. Participating Shares of each class have been admitted to the Official List of The Stock Exchange, London.

The Directors of the Company are the persons responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect the import of such information. The Directors accept responsibility accordingly.

This Prospectus will be used as a continuing Prospectus for the purposes of the Subsequent Offer. Factual references should nonetheless be read as made at the date of this Prospectus.

GUINNESS MAHON GLOBAL STRATEGY FUND LIMITED

(the "Company")

(A company incorporated with limited liability in Guernsey on 5th January, 1984 under the provisions of the Companies (Guernsey) Laws, 1908 to 1973)

Initial Offer for Subscription

of up to 8,000,000 Participating Shares of 1 cent each comprising the following Funds and at the following prices, payable in full on application:—

MANAGEMENT AND ADMINISTRATION OF THE COMPANY

Directors

SIR DAVID BASIL HILL-WOOD (Chairman),
Director, Guinness Mahon & Co. Limited,
P.O. Box 442, 32, St. Mary at Hill,
London EC3P 3AJ.

ERIC SIDNEY PAVITT,
Managing Director, Guinness Mahon Guernsey Limited,
P.O.Box 188, La Vieille Cour,
St. Peter Port, Guernsey, Channel Islands.

FREDERIC EDUARD COMTESSE,
Manager, Guinness Mahon (Zürich) A.G.,
Brandschenkestrasse 30,
8039 Zürich, Switzerland.

JULIO BATISTA FALLA,
Investment Counsellor,
Case Postale 451,
1211 Geneva 11, Switzerland.

HOWARD EMERSON FLIGHT,
Director, Guinness Mahon & Co. Limited,
P.O. Box 442, 32, St. Mary at Hill,
London EC3P 3AJ.

TIMOTHY WHITMORE NEWTON GUINNESS,
Director, Guinness Mahon & Co. Limited,
P.O. Box 442, 32, St. Mary at Hill,
London EC3P 3AJ.

ROBERT JEAN HENRI VAUCHER,
Président Directeur Général, Finacor S.A.,
356 Rue St. Honoré,
75001 Paris, France.

MARTIN WALSER,
General Manager, Guinness Mahon (Zürich) A.G.,
Brandschenkestrasse 30,
8039 Zürich, Switzerland.

Registered Office
P.O. Box 188, La Vieille Cour,
St. Peter Port, Guernsey, Channel Islands.

Managers, Secretary and Registrars
Guinness Mahon Fund Managers (Guernsey) Limited,
P.O.Box 188, La Vieille Cour,
St. Peter Port, Guernsey, Channel Islands.

Investment Adviser to the Managers
Guinness Mahon & Co. Limited,
P.O. Box 442, 32, St. Mary at Hill,
London EC3P 3AJ.

Custodian
Guinness Mahon Guernsey Limited,
P.O.Box 188, La Vieille Cour,
St. Peter Port, Guernsey, Channel Islands.

Bankers
National Westminster Bank PLC,
High Street, St. Peter Port, Guernsey, Channel Islands.

Guinness Mahon Guernsey Limited,
P.O.Box 188, La Vieille Cour,
St. Peter Port, Guernsey, Channel Islands.

Legal Advisers to the Company
In Guernsey: Ozanne, van Leuven & Perrot,
P.O.Box 186, 1, Le Marchant Street,
St. Peter Port, Guernsey, Channel Islands.
In London: Clifford-Turner,
Blackfriars House, 19, New Bridge Street,
London EC4V 6BY.

Stockbrokers
Henderson Crosthwaite & Co.,
194/200, Bishopsgate, London EC2M 4LL.

Auditors
Peat, Marwick, Mitchell & Co.,
Chartered Accountants,
P.O. Box 20, 10, Lefebvre Street, Guernsey, Channel Islands.

STRUCTURE

Management and Administration

The Directors of the Company are responsible for the investment policy and the supervision of its implementation. The day to day management of the Company's investments and administration has been delegated by the Directors to Guinness Mahon Fund Managers (Guernsey) Limited ("the Managers"). The Managers are wholly owned by Guinness Mahon Guernsey Limited ("the Bank") which itself is wholly owned indirectly by Guinness Mahon & Co. Limited ("Guinness Mahon").

Guinness Mahon acts as Investment Adviser to the Managers under the terms of the Investment Adviser's Agreement. Under the terms of this Agreement the Managers are responsible for the Investment Adviser's fees.

Guinness Mahon is a long established merchant bank, an issuing house and a member of the Accepting Houses Committee, giving it special status in the banking community as well as close ties with the Bank of England. Guinness Mahon has a tradition of personal service and provides a full range of investment services to pension funds, charities, private and corporate clients and also advises offshore investment funds. It has a number of internationally operating subsidiaries.

Guinness Mahon has extensive experience in liquidity management in all major currencies. Moreover, the Managers were leaders in pioneering the concept of an offshore managed currency fund with the creation of Guinness Mahon International Fund Limited in April 1980.

Guinness Mahon has for many years adopted a global approach to equity investment management with emphasis on the importance of asset allocation and currency selection. This approach includes the examination of macro-economic indicators as well as the financial analysis of domestic and international companies.

When investing or disposing of investments on behalf of the Company, the Managers may deal with any bank or recognised dealer in securities. These include Guinness Mahon and certain other companies in the group comprising Guinness Mahon and its subsidiaries ("the Group"). The Managers may also make deposits with, borrow from and transact other business with companies in the Group for the account of the Company. Any profit accruing to a company in the Group from such transactions with the Company may be retained provided that, as a result of any such transactions, the Company is in no worse position than it would have been if the Company had effected that transaction on the open market. From time to time Guinness Mahon and other companies in the Group participate as underwriters or otherwise in international issues or placings of securities suitable for the Company and may enter into transactions in such securities with the Company where the Managers believe that such securities constitute an attractive investment for the Company within the parameters described in this Prospectus.

Custodian

The Bank acts as Custodian and holds the assets of the Company. Participating Shares are only issued when the Bank, in its capacity as Custodian, has received the cash relating to such issue. The Bank will also pay to the Managers the amount needed to fulfil redemption applications. Securities held by the Custodian for the Company may be registered in the name of any nominee company directly or indirectly owned or controlled by Guinness Mahon.

INVESTMENT OBJECTIVES AND POLICY

Investors may invest in several or one only of the various classes of Participating Shares which have been designed to enable investors and their professional advisers to plan an investment strategy and manage investment portfolios through the desired allocation of assets between the Money Funds, Managed Currency Fund, Fixed Interest Funds and Equity Funds.

It should be appreciated that the value of Participating Shares and the income from them can fall as well as rise, in line with the underlying portfolio.

Money Funds

The Money Funds aim to give Shareholders access to income at wholesale Euro-money market interest rates in U.S. Dollars, Sterling, Yen or Deutschemarks.

The Money Funds are comprised of short-term deposits of up to three months in maturity, being deposits denominated in the currency in which the Participating Shares of the relevant class are designated.

It is the policy of the Directors that no more than 20 per cent. of the assets of each Money Fund may be placed with any single group of companies unless such amount is less than $5.0m (or its relevant currency equivalent). A conservative and rigorous approach to credit assessment is adopted for each bank and institution with which deposits are made.

In order to provide sufficient funds for the redemption of Participating Shares representing the Money Funds and to avoid the premature realisation of any deposit, a minimum of 20 per cent. of the value of the net assets of each Money Fund is normally available at two Business Days' notice or less (except that if this percentage is reduced by redemptions, the liquidity margin will be reinstated as soon as circumstances permit).

Managed Currency Fund

The Managed Currency Fund aims to protect and maximise the real asset value of Shareholders' monies in terms of international purchasing power through the management and diversification of currency exposure. Accordingly, the currency composition of the Managed Currency Fund is determined by a longer-term assessment of international capital and current account flows of funds and of relevant political factors. Advantage is also taken of shorter-term opportunities when exchange rate movements appear excessive.

The primary currencies in which investments are made are those of the USA, Canada, the United Kingdom, West Germany, Japan and Switzerland. Within a particular currency, investments are held largely in the form of bank deposits or short-term instruments when interest rates are judged to be stable or likely to rise but may be held in fixed interest bearing securities when there is a prospect of a general fall in interest rates.

Where interest bearing securities (such as bonds) are held, special attention is paid to the marketability and quality of securities purchased. In addition, forward foreign exchange contracts may be utilised in the management of the currency exposure. However, no forward sale of one particular currency into another is undertaken without having reserved an amount (in the form of deposits or other financial instruments) of at least that required in the relevant currency to settle the relevant forward sale.

Fixed Interest Funds

The Sterling Fixed Interest Fund is designed to provide a high level of income whilst also aiming to protect and maximise the Sterling asset value of Shareholders' monies through exploiting opportunities for capital appreciation in Sterling denominated fixed interest securities.

Investments will be held primarily in the form of fixed interest bearing securities of varying maturities when there is a prospect of stable or falling interest rates and bank deposits or short-term financial instruments such as Certificates of Deposit, Floating Rate Notes and Bills of Exchange when interest rates are judged likely to rise. The securities purchased are likely to be those issued by the U.K. Government (Gilts) but may also include other domestic and international fixed interest bearing securities such as Corporate and Local Authority Bonds and Eurobonds. Attention will be paid to the marketability and quality of securities purchased.

The Sterling Index-Linked Gilt Fund aims to provide a high degree of capital protection together with a moderate level of income, through investment in index-linked securities, short-term cash instruments and bank deposits.

Investments will be held primarily in the form of index-linked U.K. Government securities when there is a prospect of stable or falling real yields in Sterling terms and bank deposits in short-term instruments when real yields are judged likely to rise.

The U.S. Dollar Fixed Interest Fund is designed to provide a high level of income whilst also aiming to protect and maximise the U.S. Dollar asset value of Shareholders' monies through exploiting opportunities for capital appreciation in U.S. Dollar denominated fixed interest securities.

INITIAL SUBSCRIPTION PRICE
(exclusive of any applicable initial charge)

MONEY FUNDS	
U.S. Dollar Money Fund	U.S.$20
Sterling Money Fund	£10
Yen Money Fund	¥5,000
Deutschemark Money Fund	DM 50
FIXED INTEREST FUNDS	
Sterling Fixed Interest Fund	£10
Sterling Index-Linked Gilt Fund	£10
U.S. Dollar Fixed Interest Fund	U.S.$20
EQUITY FUNDS	
Global Equity Fund	U.S.$20
North American Fund	U.S.$20
Japan and Pacific Fund	U.S.$20
European Fund	U.S.$20
U.K. Fund	£10
Global Technology Fund	U.S.$20
Global Energy Fund	U.S.$20
Global Leisure Fund	U.S.$20

MANAGED CURRENCY FUND

Participating Shares of the Managed Currency Fund will be offered for subscription as usual on the Subscription Days falling on 18th January, 1985 and 25th January, 1985 at the prevailing Subscription Price (together with any applicable initial charge), which may be obtained by reference to the Offshore and Overseas Section of the Financial Times or directly to the Managers.

The subscription lists for the Initial Offer will open at 10.00 a.m. on 25th January, 1985 and will be closed at 3.00 p.m. on the same day.

KEY FEATURES

THE COMPANY

Guinness Mahon Global Strategy Fund Limited is an open-ended investment company registered in Guernsey. The capital structure enables the Company to operate in a similar way to a unit trust in that Participating Shares may be issued and redeemed at prices based on underlying net asset values on each Subscription Day.

INVESTMENT OBJECTIVES

Investors may invest in several or one only of the various classes of Participating Share which have been designed to enable investors and their professional advisers to plan an investment strategy and manage investment portfolios through the desired allocation of assets between the professionally managed Money Funds, Managed Currency Fund, Fixed Interest Funds and Equity Funds.

CLASSES OF SHARES

There are sixteen classes of Participating Shares comprising the following Funds (each referred to as a "Fund"):-

MONEY FUNDS

U.S. Dollar Money Fund, Sterling Money Fund, Yen Money Fund, Deutschemark Money Fund.

MANAGED CURRENCY FUND

Managed Currency Fund.

FIXED INTEREST FUNDS

Sterling Fixed Interest Fund, Sterling Index-Linked Gilt Fund, U.S. Dollar Fixed Interest Fund.

EQUITY FUNDS

Global Equity Fund, North American Fund, Japan and Pacific Fund, European Fund, U.K. Fund, Global Technology Fund, Global Energy Fund, Global Leisure Fund.

A separate Fund is maintained for the assets representing each class of Participating Share.

APPLICATION PROCEDURE

INITIAL OFFER The Subscription Prices (exclusive of any applicable initial charge) for the Initial Offer of fifteen new classes of Participating Shares are set out above. The subscription lists will open at 10.00 a.m. on 25th January, 1985 and will close at 3.00 p.m. on the same day. Applications accompanied by cleared funds must be made on the accompanying Application Form or by telex and must be received by the Managers not later than 3.00 p.m. on 25th January, 1985. All applications should state which class or classes of Participating Shares are required.

SUBSEQUENT OFFER Following the close of the Initial Offer, application may be made for all sixteen classes of Participating Shares at the prevailing Subscription Price for the relevant class (together with any applicable initial charge) on regular Subscription Days, normally Fridays. Applications accompanied by cleared funds must be received by the Managers not later than 10.00 a.m. on the relevant Subscription Day.

MANAGED CURRENCY FUND Participating Shares of the Managed Currency Fund will be offered for subscription as usual on the Subscription Days falling on 18th January, 1985 and 25th January, 1985 at the prevailing Subscription Price (together with any applicable initial charge), which may be obtained by reference to the Offshore and Overseas Section of the Financial Times or directly to the Managers. Thereafter, applications for Participating Shares of the Managed Currency Fund will be governed by the procedure applying for the Subsequent Offer.

MINIMUM INVESTMENT

The minimum initial investment applicable in respect of any of the above Offers for each class of Participating Shares is £1,000 or its equivalent in another approved currency: an approved currency is Sterling, U.S. Dollars, Deutschemarks or Swiss Francs.

REDEMPTION

Subject to two Business Days' notice, redemption may take place on any Subscription Day at the prevailing Redemption Price for the relevant class of Participating Share. Settlement of the proceeds of redemption is normally made within one week of the Subscription Day.

CONVERSION

Subject to two Business Days' notice, Shareholders may instruct the Managers to convert on any Subscription Day their holdings of Participating Shares from one class to another. No initial charge will be made on conversion between different classes of Participating Shares; however, a sum of £25 or its equivalent in the currency of designation of the new class will be deducted.

CHARGES AND FEES

There will be an initial charge of up to 2.5 per cent. of the relevant Subscription Price for investments of less than £30,000 (or its equivalent in another approved currency) in the Company. **A reduced initial charge of 1.0 per cent. will be charged in respect of applications for Participating Shares of any class received by the Managers not later than 3.00 p.m. on 25th January, 1985.**

There will be no initial charge for initial investments of £30,000 or more (or the equivalent in another approved currency) in the Company.

The annual management fees are 0.5 per cent. per annum of the net asset value of the Money Funds and Managed Currency Fund and 0.75 per cent. per annum of the net asset value of the Fixed Interest Funds and Equity Funds. The Custodian receives an annual fee of 0.125 per cent. per annum of the net asset value of each Fund.

TAXATION

Subject to the Company being certified as a "distributing fund" (within the meaning of Section 95 of the U.K. Finance Act 1984), Shareholders resident or ordinarily resident in the United Kingdom should, depending on their individual circumstances, pay U.K. Capital Gains Tax rather than U.K. Income Tax on gains arising from the disposal or redemption of Participating Shares.

No charge to U.K. Capital Gains Tax should arise on conversion between different classes of Participating Shares. Shareholders resident or ordinarily resident in the United Kingdom may however be liable to U.K. Income Tax on any accrued income within the Share price at the time of conversion.

DIVIDEND POLICY

With a view to the Company qualifying as a "distributing fund", the whole of the net income attributable to each class of Participating Share will be distributed to the Shareholders of that class by way of a half-yearly dividend.

Investments will be held primarily in the form of fixed interest bearing securities of varying maturities when there is a prospect of stable or falling interest rates and bank deposits or short-term financial instruments such as Certificates of Deposit, Floating Rates Notes and Bills of Exchange when interest rates are judged likely to rise. The securities purchased are likely to be those issued by the U.S. Treasury but may also include other fixed interest bearing securities such as Eurobonds and U.S. Government Agency Securities.

Equity Funds

The Equity Funds aim to secure long-term growth in the asset value of Shareholders' monies, rather than income, through the active management of equity instruments. Accordingly, the composition of the Equity Funds will be determined by an assessment of investment prospects in the relevant markets. The equity instruments in which investments will be made are normally listed or dealt in on major international stock exchanges or on securities markets subject to the control of such stock exchanges or other regulatory authorities.

The Global Equity Fund will seek to maximise capital growth through an allocation and management of assets which reflects assessments of currencies, equity markets and individual securities.

The North American Fund will be invested primarily in U.S. equity instruments but may also be invested in Canadian equity instruments when, in the opinion of the Managers, attractive investment opportunities occur.

The Japan and Pacific Fund will be invested primarily in Japanese equity instruments but may also be invested in equity instruments of other areas of the Pacific Basin such as Hong Kong, Singapore, Malaysia and Australia. Shareholders should note that the dividend yield on this Fund is likely to be very low since dividend yields on most Japanese equities are minimal.

The European Fund will be invested mainly in Continental European equity instruments primarily in France, Germany, Holland and Switzerland.

The U.K. Fund will be invested in U.K. equity instruments and will be primarily invested in leading U.K. companies in areas offering above average growth prospects. The balance of the U.K. Fund will be invested in companies operating in new growth areas and other specialist market sectors.

The Global Technology Fund will be invested in the equity instruments of companies throughout the world involved in established, developing and emerging manufacturing and service industries in such areas as computers, communications, robotics and health.

The Global Leisure Fund will be invested in the equity instruments of companies throughout the world involved in the provision of goods and services for leisure activities such as entertainment, catering, sport and holidays.

New Funds

The Directors anticipate that new funds may from time to time be created in response to changes in the investment market; details of any such funds will be circulated to all Shareholders.

TAXATION

Guernsey

The Company is registered in Guernsey as a company managed and controlled outside Guernsey and therefore not resident in Guernsey for the purposes of liability to Guernsey Income Tax. Confirmation was sought and obtained from the Administrator of Income Tax that, under current law and practice in Guernsey, the Company would only be liable to tax in Guernsey in respect of income arising in Guernsey (other than bank deposit interest) and in respect of Corporation Tax currently charged at £300 per annum.

The Administrator of Income Tax has confirmed that, on the basis of the information contained herein and the documentation referred to in this Prospectus, the Company will continue to be liable to tax in Guernsey only in respect of income arising in Guernsey (other than bank deposit interest) and in respect of Corporation Tax currently charged at £300 per annum.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a Dwellings Profit Tax), gifts, sales or turnover, nor are there any estate duties. No stamp duty is chargeable in Guernsey on the issue, transfer, conversion or redemption of Participating Shares.

United Kingdom

The Company is managed and controlled in such a way that it should not be resident in the United Kingdom for U.K. tax purposes. The Inspector of Foreign Dividends in the United Kingdom has agreed that the Company is eligible to submit claims for relief from U.K. tax in respect of interest derived from U.K. Government securities which fall within Section 99 of the Income and Corporation Taxes Act, 1970 ("the Act").

Clearance has been obtained from the Board of the Inland Revenue of the United Kingdom under Section 464 of the Act that the provisions of Section 460 of the Act will not apply to the issue of unclassified shares of the Company partly as Participating Shares and partly as Nominal Shares or to the subsequent redemption of Participating Shares by the Company or to the conversion of Participating Shares of one class into any other class of Participating Share.

Distributing Status

The U.K. Finance Act 1984 has introduced provisions whereby, in certain circumstances, persons resident or ordinarily resident in the United Kingdom for tax purposes may be liable to U.K. Income Tax or Corporation Tax at rates applicable to income in respect of gains arising from the disposal or redemption of shares in an offshore fund, such as the Company, unless the offshore fund is certified by the Board of Inland Revenue as a "distributing fund" and has held such status throughout the period during which the Participating Shares have been held.

It is the intention of the Directors of the Company that the affairs of the Company shall continue to be conducted and its dividend and investment policy implemented in such a manner as to make the Company eligible for certification as a "distributing fund". The Directors of the Company will apply to the Inland Revenue, in accordance with the provisions of the U.K. Finance Act 1984, for such certification.

Where such certification has been obtained, holders of Participating Shares (other than those holding Participating Shares as dealing stock, who are subject to different rules) who are resident or ordinarily resident in the United Kingdom for tax purposes may, unless otherwise exempt, be liable to U.K. Capital Gains Tax or Corporation Tax (at the effective rate appropriate to capital gains) in respect of gains arising from the disposal or redemption (other than on conversion) of Participating Shares.

Conversion

The U.K. Inland Revenue has confirmed that any conversion of Participating Shares of one class into Participating Shares of another class by a person resident or ordinarily resident in the United Kingdom should not normally constitute a disposal of Participating Shares for U.K. Capital Gains Tax purposes. However, any accrued income within the Share price of the Shares converted by such person at the time of conversion may be charged to U.K. Income Tax or Corporation Tax at rates applicable to income.

The above is based on the current law and practice of the United Kingdom and Guernsey and is subject to any changes therein. Investors should consult their professional advisers on the possible tax consequences of buying, selling, converting, holding or redeeming Participating Shares under the laws of their country of citizenship, residence or domicile. Investors are also advised to inform themselves as to any exchange control regulations applicable in their country of residence.

PROCEDURE

Initial Offer

The Subscription Prices (exclusive of any applicable initial charge) for the Initial Offer of the fifteen new classes of Participating Shares are set out above. The subscription lists will open at 10.00 a.m. in Guernsey on 25th January, 1985 and will close at 3.00 p.m. on the same day. Applications accompanied by cleared funds made under the Initial Offer must be made on the accompanying Application Form or by telex and must be received by the Managers not later than 3.00 p.m. on 25th January, 1985.

If any payment is not received before the subscription lists close, it shall be deemed to have been received by way of application for Shares pursuant to the Subsequent Offer for the next following Subscription Day and the relevant Subscription Price for that Day shall apply.

Subsequent Offer

Following the close of the Initial Offer, application may be made for all sixteen classes of Participating Shares at the prevailing Subscription Price for the relevant class (together with any applicable initial charge) on regular Subscription Days, normally Fridays.

Managed Currency Fund

Participating Shares of the Managed Currency Fund will be offered for subscription as usual on the Subscription Days falling on 18th January, 1985 and 25th January, 1985 at the prevailing Subscription Price (together with any applicable initial charge), which may be obtained by reference to the Offshore and Overseas Section of the Financial Times or directly from the Managers. Thereafter, applications for Participating Shares of the Managed Currency Fund will be governed by the procedure applying for the Subsequent Offer.

General Application Procedure

Applications must be made on the accompanying Application Form or by telex and should be sent to Guinness Mahon Fund Managers (Guernsey) Limited, P.O. Box 188, La Vieille Cour, St. Peter Port, Guernsey, Channel Islands to be received not later than 10.00 a.m. on the relevant Subscription Day. All applications should state which class or classes of Participating Shares are required.

Applications should be in an approved currency (an "approved currency" is Sterling, U.S. Dollars, Deutschemarks or Swiss Francs) and should be accompanied by a cheque or bankers' draft for the amount to be invested made payable to "Guinness Mahon Fund Managers (Guernsey) Limited". Alternatively, funds may be remitted telegraphically to the appropriate bank, details of which are set out on the Application Form. Where applicants wish to remit other currencies, they should contact the Managers.

If payment is made in a currency other than that in which the required Participating Shares are designated, the applicable exchange rate(s) for investment in the Company will be determined by the Managers.

Contract notes are normally sent to Shareholders within one week of the relevant Subscription Day. Certificates representing Participating Shares are normally issued within two weeks of the relevant Subscription Day. Both contract notes and Share certificates are sent to Shareholders at their own risk.

Minimum Investment

Initial applications for any class of Participating Share must be for a minimum investment of £1,000 or its equivalent in another approved currency. Thereafter, the Shareholding of that class may be increased by any amount. Fractions of Shares will be issued where any subscription monies are not an exact multiple of the Subscription Price.

Subscription Days and Valuation

Subscription Days are normally every Friday or, if this day is not a Business Day, the next Business Day or such other day as may from time to time be determined by the Directors. A Business Day is any day on which banks are normally open for business in both Guernsey and London. The Company reserves the right to vary the frequency of Subscription Days.

The price of Participating Shares on allotment, redemption and conversion is calculated with reference to the underlying net assets of the Fund representing each class of Participating Share valued on the Business Day immediately preceding each Subscription Day.

The Directors may, however, suspend valuation of a Fund if, inter alia, circumstances exist as a result of which, in the opinion of the Directors, it is not reasonably practicable for the Company to realise or to dispose of investments in the relevant Fund or fairly to determine the value of the net assets of such Fund or if a breakdown occurs in any of the means normally employed to ascertain such value. No Participating Shares of the class constituting the Fund so affected will be issued, redeemed or converted during such a suspension.

Share Prices

Weekly Subscription and Redemption Prices of each class of Participating Shares are available from the Managers.

The Subscription and Redemption Prices of each class of Participating Shares will, as soon as space is available, be published regularly in the Offshore and Overseas Section of The Financial Times in London. The published Subscription Price is exclusive of any applicable initial charge.

Use of Guinness Mahon Guernsey Nominees Limited

Shareholders may elect to have their holding of Participating Shares registered in the name of Guinness Mahon Guernsey Nominees Limited, in which case the individual nominee number will be notified to the beneficiary by means of a contract note. The Share certificate will remain in the custody of Guinness Mahon Guernsey Nominees Limited. There is no charge for this service.

Participating Shares are offered solely on the basis of the information and representations contained in this Prospectus. No dealer, salesman or other person is authorised to give any information or make any representation other than those contained in this Prospectus and if given or made such information or representation may not be relied upon as having been authorised by the Company, its Directors or the Managers.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. No person may treat this Prospectus as constituting an invitation to him unless in the relevant territory such an invitation could lawfully be made to him without compliance with any registration or other legal requirements. It is the responsibility of any person outside Great Britain wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required or other formalities needing to be observed or transfer or other taxes requiring to be paid in such territory.

The Participating Shares have not been registered under the United States Securities Act of 1933 and, except in a transaction which does not violate such Act, or any other applicable United States securities laws (including without limitation any applicable laws of any of the states of the United States of America) may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States person. (A "United States person" is defined in Section B9 below). The attention of United States persons is drawn to the paragraph headed "Restrictions on Holdings" in Section B4 below and the compulsory redemption powers of the Company mentioned therein. Notwithstanding the foregoing prohibition on offers and sales in the United States of America or to or for the benefit of United States persons, private sales of Participating Shares may be arranged to a limited number of "Accredited Investors" as defined in Regulation D under the United States Securities Act of 1933.

Participating Shares may not be issued to any person who is unable to satisfy the Directors that such person is neither resident in Guernsey, Alderney or Herm for the purposes of liability to Guernsey Income Tax nor a nominee or trustee for any such person.

All references to time in this Prospectus are to local time in Guernsey.

The consent of the Advisory and Finance Committee of the States of Guernsey under The Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 and 1976 has been obtained for the issue of up to 9,900,000 Participating Shares in the Company. It must be distinctly understood that in giving this consent the Committee does not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

This Prospectus is based on the law and practice currently in force in Guernsey and the United Kingdom. It is subject to changes in such law and practice.

A copy of this Prospectus, including the Application Form, has been delivered to the Registrar of Companies in England and Wales for registration pursuant to the Companies Acts 1948 to 1983 of Great Britain.

Dated 11th January, 1985.

Guinness Mahon Global Strategy Fund Limited

GUINNESS MAHON

Redemption of Shares

Participating Shares may normally be redeemed on any Subscription Day provided that notice of redemption in writing or by telex has been received by the Managers in Guernsey at least two Business Days before the relevant Subscription Day and the duly renounced Share certificate(s) have been received by the Managers in Guernsey by 10.00 a.m. on the relevant Subscription Day. Shareholders whose holdings are registered in the name of Guinness Mahon Guernsey Nominees Limited should quote their individual nominee number when giving instructions for the redemption of their Participating Shares in writing or by telex. Requests for redemption received late may be held over until the next Subscription Day.

Redemptions of Participating Shares may be for any amount provided that in the case of a partial redemption the value of the Shareholder's residual holding in such class of Participating Share does not fall below £1,000 or its equivalent in the currency of designation of such class.

Payments of redemption proceeds will normally be made within one week of the relevant Subscription Day and for the account specified by the Shareholder in his redemption payment instructions. Settlement of redemption proceeds will be made in the currency of designation of the relevant class of Participating Shares (except in the case of Yen where settlement will be in U.S. Dollars). However, in the case of Participating Shares not designated in Sterling, settlement may be requested in Sterling and, in the case of Participating Shares not designated in U.S. Dollars, settlement may be requested in U.S. Dollars. Proceeds will be remitted, at the Shareholder's risk, at the then prevailing exchange rate and will normally be paid by cheque.

Conversion of Shares

Shareholders may elect to convert all or part of their holdings of any class of Participating Share into another class without payment of any initial charge upon notice in writing or by telex being received by the Managers at least two Business Days in advance of the relevant Subscription Day on which conversion is to take place. Shareholders whose holdings are registered in the name of Guinness Mahon Guernsey Nominees Limited should quote their individual nominee number when giving instructions for the conversion of their Participating Shares in writing or by telex. Conversions may be for any amount provided that in the case of a partial conversion neither the value of the Shareholder's residual holding nor the value of his new holding is below £1,000 or its equivalent in the currency of designation of the relevant class. New Share certificates will not be issued until the duly renounced Share certificate(s) in respect of the Participating Shares subject to the conversion notice have been received by the Managers. The Managers will deduct the sum of £25 or its equivalent in the currency of designation of the new class on each conversion to cover administration costs.

Dealings in Participating Shares by the Managers

The Managers are entitled to deal as principals in Participating Shares and requests to subscribe for or redeem Participating Shares may be executed as sales by or, as the case may be, to the Managers, provided that the prices quoted by the Managers are no less favourable to the Shareholder than would otherwise be the case.

ADMINISTRATION

Charges and Fees

The Subscription Price of Participating Shares does not include an initial charge. There will be no initial charge for initial investments of £30,000 or more (or the equivalent in another approved currency) in the Company.

The Directors will normally require payment to the Managers upon the issue of Participating Shares of up to 2.5 per cent. of the Subscription Price in addition to the Subscription Price itself for investments of less than £30,000 (or its equivalent in another approved currency) in the Company. The Managers may, at their discretion, grant a re-allowance of part of any initial charge.

A reduced initial charge of 1.0 per cent. will be charged in respect of applications for Participating Shares of any class received by the Managers not later than 3.00 p.m. on 25th January, 1985.

The Directors have the power to increase the initial charge up to 5 per cent. of the relevant Subscription Price in respect of all or any of the Funds. The amount of the initial investment in respect of which there is no initial charge may also be varied at the discretion of the Directors.

The Managers receive an annual management fee of 0.5 per cent. per annum of the net asset value of the Money Funds and Managed Currency Fund and of 0.75 per cent. per annum of the net asset value of the Fixed Interest Funds and Equity Funds. The fees of the Investment Adviser are paid by the Managers out of their remuneration. In addition, the Managers also meet other expenses incurred by them in connection with their services (such as the payment of commission to investors' agents) which do not fall to be paid by the Company.

The Custodian receives an annual fee of 0.125 per cent. per annum of the net asset value of each Fund. The Company is not liable to reimburse the Custodian for any expenses incurred by it except for the cost of telexes, correspondents' charges, legal and other expenses, properly incurred in the course of its duties.

The fees of both the Managers and the Custodian are payable monthly and are calculated by reference to the value of the net assets of the relevant Fund on each Subscription Day during each month.

Each Fund bears any transaction costs involved in the purchase and sale of its underlying assets and its pro rata share of inter alia the Company's audit fees and other continuing expenses.

Professional Advisers

Investors who wish to delegate their investment strategy to a nominated professional adviser may authorise the Managers to accept applications and subsequent instructions from the investor's professional adviser or agent. Where, in such cases an investor authorises payment of an initial fee to his professional adviser, the Managers may be requested to arrange this payment. Such payment will be in addition to any applicable initial charge to be paid to the Managers and will be deducted from the sum to be invested. Investors who wish to use this service should mark the appropriate boxes on the Application Form or alternatively contact the Managers for further details.

Distribution of Income

The whole of the income attributable to each class of Participating Share is distributed to Shareholders of that class after the deduction of the Managers' fee, the Custodian's fee and all other expenses attributable to that class of Share. Distributions for each class of Participating Share are made by way of half-yearly dividends payable not later than March and September of each year.

Dividends will be paid in the currency of designation of the relevant class of Participating Shares (except in the case of Yen where settlement will be in U.S. Dollars) unless mandate instructions are given indicating that payment should otherwise be made in Sterling or U.S. Dollars.

Reinvestment of Dividends

Dividends will automatically be paid to Shareholders unless they specify on the Application Form that they desire dividend payments to be reinvested in further Participating Shares of the same class. No initial charge will be made in relation to dividends reinvested. Any dividends so reinvested will initially be paid by the Managers to Finistere Limited, a subsidiary of the Bank, which will automatically apply to the Managers, on the Shareholder's behalf, for Participating Shares of the same class on the Subscription Day next following receipt of the dividend. (This arrangement is necessary in order not to prejudice the distributing fund status for which the Company seeks to qualify). U.K. resident Shareholders are liable to U.K. income tax on all dividends, whether distributed or reinvested.

Report and Accounts

The Company's financial year ends on 31st December in each year. Copies of the audited accounts of the Company made up to the last day in December of each year will normally be sent to Shareholders at their registered addresses at the end of March in the following year. Shareholders will also be sent at the end of September in each year a half-yearly report as at the end of the preceding June.

The Company's statutory accounts consist of a revenue account and a balance sheet expressed in U.S. Dollars. However, for the convenience of Shareholders, separate revenue accounts and balance sheets are produced in respect of each Fund in the currency in which the relevant Participating Shares are designated.

Annual General Meeting

The Annual General Meeting will be held in Guernsey each year and due notice thereof will be sent to Shareholders.

A. BACKGROUND AND CAPITAL STRUCTURE OF THE COMPANY

1. Background

The Company was incorporated with limited liability in Guernsey on 5th January, 1984, under the provisions of the Companies (Guernsey) Law, 1908 to 1973, under the name of Guinness Mahon Distributor Fund Limited.

Up to 9,900,000 Participating Redeemable Preference Shares of 1 cent each (then known as "Distributor Shares") were offered for subscription on 12th January, 1984. 3,345,000 Distributor Shares issued and to be issued were admitted to the Official List of The Stock Exchange, London on 6th April, 1984.

Pursuant to Special Resolutions duly passed at Extraordinary General Meetings of the Company and confirmed by the Royal Court of Guernsey, it was resolved that the existing Articles of Association of the Company be replaced by amended Articles of Association and that the name of the Company be changed to Guinness Mahon Global Strategy Fund Limited.

Consequent upon such amendments to the Articles of Association the 9,900,000 Participating Redeemable Preference Shares of 1 cent each in the Company previously classified as "Distributor Shares" were reclassified as "Participating Shares", the underlying assets representing the Distributor Shares issued up to and including the date of the second Special Resolution were collectively reclassified as the "Managed Currency Fund" and the Shares of the relevant class (including any Shares of such class subsequently issued) were reclassified accordingly. In addition, the Directors were empowered to designate and issue from time to time Participating Redeemable Preference Shares of 1 cent each in the Company of one or more class or classes to the intent that all consideration received by the Company for the allotment or issue of or conversion into each particular class of such Share and all investments in which such consideration is invested or reinvested and all property representing the same shall be kept separate from all other moneys or property of the Company but that otherwise all such Shares shall rank pari passu inter se.

2. Particulars of Share Capital

The authorised share capital of the Company is $100,000 divided into 1,000 Management Shares of $1 each and 9,900,000 unclassified shares of 1 cent each. The unclassified shares may be issued as Participating Shares or Nominal Shares. 1,000 Management Shares have been issued for cash at par to the Managers.

Management Shares

The Management Shares have been created so that Participating Shares may be issued. To comply with Guernsey Law, redeemable preference shares must have preference over some other class of share capital. The Management Shares carry one vote each on a poll, do not carry any right to dividends and in a winding-up rank only for a return of paid-up capital (after return of capital on Participating and Nominal Shares). The Management Shares are not redeemable.

Participating Redeemable Preference Shares of 1 cent each

At the date of this Prospectus, Participating Shares are divided into sixteen classes represented by the following Funds:-

U.S. Dollar Money Fund	Sterling Index-Linked Gilt Fund	European Fund
Sterling Money Fund	U.S. Dollar Fixed Interest Fund	U.K. Fund
Yen Money Fund	Global Equity Fund	Global Technology Fund
Deutschemark Money Fund	North American Fund	Global Energy Fund
Managed Currency Fund	Japan and Pacific Fund	Global Leisure Fund
Sterling Fixed Interest Fund		

The proceeds from the allotment and issue of each class of Participating Share will be applied in the books of the Company to the Fund established for the relevant class of Participating Shares and the assets and liabilities and the income and expenditure attributable thereto are applied to each such Fund.

The Participating Shares carry a right to dividends declared by the Company in general meeting or by the Directors. Each holder of Participating Shares will be entitled, on a poll, to one vote for each Share (or fraction thereof) held. In a winding up, each Participating Share has a preferential right to return of capital paid up in priority to any payment in respect of Shares of any other class and a right to share on a pro rata basis in surplus assets after return of capital paid up on the Nominal Shares and the Management Shares.

Nominal Shares

The Nominal Shares can only be issued at par and for the purpose of providing funds for the repayment of the nominal amount of Participating Shares redeemed. They carry no right to dividend. In a winding-up, they have the right to repayment of paid-up capital after return of paid-up capital on the Participating Shares held but in priority to repayment of paid-up capital on the Management Shares. Each holder of Nominal Shares is entitled, on a poll, to one vote irrespective of the number of Nominal Shares held by such holder. The Managers are obliged to subscribe for Nominal Shares for cash at par when Participating Shares are redeemed unless the Directors decide that the nominal amount of such Participating Shares is to be redeemed out of profits. Nominal Shares may be converted into Participating Shares by the Managers for sale to investors.

3. Variation of Shareholders' Rights

(i) Subject to the provisions of Guernsey Law, all or any of the special rights and privileges for the time being attached to any class of Shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued Shares of that class or with the sanction of a resolution passed at a separate class meeting of the holders of the Shares of the relevant class by a majority of three-fourths of the votes cast at such Meeting. To any such separate class meeting all the provisions of the Articles of Association as to General Meetings of the Company shall mutatis mutandis apply, but so that:-

(a) the necessary quorum shall be three persons at least holding or representing by proxy not less than one-third of the issued Shares of the class;
(b) every holder of Shares (including fractions thereof) of the class shall be entitled on a poll to one vote for every such Share (or fraction of a Share) held by him;
(c) any holder of Shares (including fractions thereof) of the class present in person may demand a poll; and
(d) if at any adjourned meeting of such holders a quorum as above defined be not present those of such holders who are present shall be a quorum.

(ii) The special rights attached to any class of Shares having preference rights shall (unless otherwise expressly provided by the conditions of issue of such Shares) be deemed not to be varied by:—

(a) the creation, allotment or issue of further Shares ranking pari passu therewith; or
(b) the creation, allotment or issue of Management Shares; or
(c) the creation of unclassified Shares; or
(d) the allotment, issue or redemption of Participating Shares of any class; or
(e) the conversion of Participating Shares of any class into Participating Shares of another class; or
(f) the allotment, issue or redemption of Nominal Shares; or
(g) the conversion of Nominal Shares into Participating Shares; or
(h) payment of a dividend on the Participating Shares of any other class where the dividend is paid out of the relative Fund of that other class; or
(i) the exercise by the Directors of certain of their discretions under the Articles of Association (including the designation of Participating Shares of any class) or, if the Company should be wound up, the exercise by the liquidator of his powers under the Articles of Association.

4. Issue of Participating Shares

The Articles of Association provide that any issue of Participating Shares of a particular class shall not be allotted at a Subscription Price per Share (exclusive of any applicable initial charge) of less than a sum calculated by:-

(a) ascertaining the value of the net assets of the relevant Fund as at 3.00 p.m. (or such other time as the Directors may determine) on the Business Day immediately preceding the Subscription Day on which such issue is made and adding thereto such sum as the Directors may consider represents the appropriate provision for all duties and charges which would be incurred if all assets held by the Company in respect of the relevant Fund were being acquired at the date of such issue;
(b) deducting therefrom the Net Undistributed Income attributable to the relevant Fund (where the Directors are operating an Equalisation Account);
(c) dividing the resultant amount by the number of Participating Shares of the relevant class then in issue and deemed to be in issue;
(d) where the Net Undistributed Income attributable to the relevant Fund is deducted as outlined above, adding to the Subscription Price in respect of each of the Participating Shares subscribed for an amount in respect of an Accrued Income Payment under the operation of the Equalisation Account.

In addition to the foregoing, the Directors may require any applicant for the relevant Participating Shares to pay to the Company for the benefit of the relevant Fund a sum in order to adjust the resulting total of the Subscription Price and any Equalisation Payment upwards by not more than 0.01 per cent.

5. Redemption Price

The Redemption Price of each Participating Share of a particular class is determined in accordance with the Articles of Association by:-

(a) ascertaining the value of the net assets of the relevant Fund as at 3.00 p.m. (or such other time as the Directors may determine) on the Business Day immediately preceding the Subscription Day on which such redemption is made;
(b) deducting therefrom:—
   (i) the Net Undistributed Income attributable to the relevant Fund (where the Directors are operating an Equalisation Account);
   (ii) such sum as the Managers may consider represents an appropriate allowance for all duties and charges which would be incurred if all assets held by the Company in respect of the relevant Fund were being realised at the date of such redemption;
(c) dividing the resultant amount by the number of Participating Shares of the relevant class then in issue and deemed to be in issue;
(d) where the Net Undistributed Income is deducted as outlined above, adding to the Redemption Price in respect of each Participating Share redeemed an amount in respect of an Accrued Income Payment under the operation of the Equalisation Account.

In addition to the foregoing, the Directors may deduct a sum in order to adjust the resulting total of the Redemption Price and any Equalisation Payment downwards by not more than 0.01 per cent.

6. Conversion of Participating Shares

The rate at which all or any part of a holding of Participating Shares of any class (the "original class") will be converted on any Subscription Day into Participating Shares of another class (the "new class") either existing or determined by the Directors to be brought into existence will be determined in accordance (or as nearly as may be in accordance) with the following formula:-

$$N = \frac{[K \times RP \times CF] - Y}{SP}$$

where:-

N is the number of Participating Shares of the new class to be allotted;

K is the number of Participating Shares of the original class to be converted;

RP is the Redemption Price per Participating Share of the original class ruling on the relevant Subscription Day;

CF is the currency conversion factor determined by the Managers on the relevant Subscription Day as representing the effective rate of exchange applicable to the transfer of assets between the relative Funds after adjusting such rate as may be necessary to reflect the effective costs of making such transfer;

Y is the conversion charge of £25 or its equivalent as determined by the Managers in the currency of designation of the new class; and

SP is the Subscription Price for the new class ruling on the relevant Subscription Day.

Fractions of Shares will be issued where, on conversion, the number of Shares of the new class to be allotted is not a whole number.

B. GENERAL INFORMATION

1. General Investment Restrictions

No interests in a single company shall be purchased or acquired or the holding of such interests added to if as a result:-

(a) more than 10 per cent. of the principal amount in issue of any such interests would be owned by the Company; or
(b) more than 10 per cent. of the issued share capital of such company or of any class of that share capital would be owned by the Company.

No commodity or any right or interest therein may be held by the Company. No interest in land may be acquired.

None of the assets of the Company may be invested in unlimited liability obligations including partnerships.

The Directors do not normally anticipate investing in equity instruments not listed or dealt in on major international stock exchanges or on securities markets subject to the control of such stock exchanges or other regulatory authorities. Should they ever judge it attractive to invest in such equity instruments such investment would be limited to an amount not exceeding in aggregate 10 per cent. of the latest net asset value of the relevant Fund.

The Company may in some circumstances seek to protect or enhance the value of a particular class of Participating Share by the use of futures contracts.

No call options upon investments may be written or sold in respect of any Fund unless the same are covered by corresponding investments.

No units in a unit trust or shares in a mutual fund, corporation or offshore fund which has not in all relevant preceding periods qualified as a distributing fund within the meaning of the U.K. Finance Act 1984 may be acquired if it would cause the Company's holding of such units and shares to exceed in the aggregate 5 per cent. of the latest net asset value of the Company.

2. Borrowings

Borrowings in respect of any Fund may be incurred up to an amount equal to 25 per cent. of the net asset value of such Fund. The assets of each Fund may be used as security for borrowings incurred in respect of the relevant Fund. It is not the policy of the Directors, however, that borrowings will be incurred regularly or other than on a short-term basis.

3. Compulsory Redemption

If the redemption monies in respect of any class of Participating Shares to be redeemed on any Subscription Day amount to more than 20 per cent. of the value of the net assets of the relevant Fund on that Day, the Directors have the right to realise an appropriate proportion of each of the relevant Fund's investments and to apply the resulting sum in redeeming the relevant class of Participating Shares. In this event, there may be a delay in the receipt of redemption proceeds due to delayed settlement in the various securities markets.

If at any time after 5th January, 1986 the value of the net assets of any relevant Fund shall, on each Subscription Day within a period of 12 consecutive weeks, have been less than $1 million (or its relevant currency equivalent), the Company may redeem all the Participating Shares of the relevant class then in issue at the relevant Redemption Price.

All Participating Shares not previously redeemed will be redeemed by the Company on the last Subscription Day in December 2083, at the respective Redemption Prices ruling on the Day in question.

4. Restrictions on Holdings

The Company reserves the right to require the redemption or transfer of any class of Participating Share acquired or held by any person in circumstances which appear to the Managers to be in breach of any applicable law or requirement or which, in the opinion of the Managers, might result in the Company suffering taxation or other pecuniary disadvantage which it would not have suffered if each person (whether alone or together with other persons) ceased to be a holder of Shares.

5. Expenses

The preliminary expenses which were paid by the Company in respect of its formation and in connection with the initial issue of Distributor Shares amounted to $50,000. The Company is amortising this amount to the accounts of the Managed Currency Fund over a period of five years from the date on which they were incurred. The expenses of introduction of Distributor Shares of the Company to the Official List of The Stock Exchange, London amounted to approximately $38,000. Of this amount, and in accordance with a resolution of the Directors, $15,000 was paid by the Managers and charged by them to the Company to be amortised in the accounts of the Managed Currency Fund over the remainder of the same period. The balance of approximately $23,000 was paid by the Managers.

In addition, the Company bears certain other expenses. These include, inter alia, legal, accounting and other professional fees, printing costs, listing expenses and any governmental duties and charges relating to the purchase, sale, issue, conversion or redemption of Participating Shares.

The expenses relating to the creation and issue of Participating Shares (other than the Participating Shares relating to the Managed Currency Fund) are estimated to amount to $180,000 and will be paid by the Company. It is intended that these expenses will be amortised on a weekly basis over a period of seven years commencing on 25th January, 1985 and thereafter on the Business Day immediately preceding each Subscription Day. The amount to be charged to each Fund on each weekly date will be that proportion of the total amount to be amortised which the net asset value of the relevant Fund bears to the total net asset value of the Company at such date.

6. Place of Business

The Company has not established and does not intend to establish a place of business in Great Britain. The Company does not have any subsidiaries.

7. Directors

There are no existing or proposed service agreements between any of the Directors and the Company. There are no provisions requiring Directors to retire at any specific age. It is the policy of the Directors of the Company to obtain waivers of remuneration from any of their number who may also be serving as a director or an employee of any company in the Group, and, subject to future review, to remunerate other Directors at an aggregate rate not exceeding $10,000 per annum for all such Directors.

8. Indemnities

The Articles of Association contain provisions indemnifying and exempting the Directors, Secretary, other officers and servants of the Company, the Managers and the Custodian from liability in the discharge of their duties other than that resulting from their wilful acts or defaults.

The Articles of Association also provide that the amount for which such indemnity is given shall immediately attach as a lien on the property of the Company and shall have priority over all other claims.

9. United States Person

A "United States person" includes a national or resident of the United States of America, a partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States of America or of any state, territory or possession thereof, or any estate or trust, other than an estate or trust the income of which from sources outside the United States of America (which is not effectively connected with the conduct of a trade or business within the United States of America) is not included in gross income for the purposes of computing United States federal income tax.

10. Documents

Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays and public holidays excepted) at the office of the Managers, P.O. Box 188, La Vieille Cour, St Peter Port, Guernsey, Channel Islands and at the offices of Guinness Mahon & Co. Limited, 32 St Mary at Hill, London EC3P 3AJ:—

(i) Memorandum and Articles of Association of the Company;
(ii) Management Agreement dated 7th January, 1985 between the Company (then known as Guinness Mahon Distributor Fund Limited) and the Managers;
(iii) Investment Adviser's Agreement dated 7th January, 1985 between the Company (then known as Guinness Mahon Distributor Fund Limited), the Managers and the Investment Adviser; and
(iv) Custodian Agreement dated 7th January, 1985 between the Company (then known as Guinness Mahon Distributor Fund Limited) and the Custodian.

Guinness Mahon Global Strategy Fund Limited

APPLICATION FORM

To: Guinness Mahon Fund Managers (Guernsey) Limited,
P.O. Box 188, La Vieille Cour, St. Peter Port, Guernsey, Channel Islands.

Telephone: Guernsey (0481) 23506 Telex: 4191482 GUIMAC G

Please state currency*

I/We apply to invest [ ] (subject to deduction of any applicable initial charge) in Participating Shares of the class or classes specified below upon the terms of the Prospectus and subject to the Memorandum and Articles of Association of the Company.

*Minimum initial investment is £1,000 or its equivalent in another approved currency.

Class(es) of Participating Shares Required

Class	Amount of Investment	Class	Amount of Investment
U.S. Dollar Money Fund		Global Equity Fund	
Sterling Money Fund		North American Fund	
Yen Money Fund†		Japan and Pacific Fund	
Deutschemark Money Fund		European Fund	
Managed Currency Fund		U.K. Fund	
Sterling Fixed Interest Fund		Global Technology Fund	
Sterling Index-Linked Gilt Fund		Global Energy Fund	
U.S. Dollar Fixed Interest Fund		Global Leisure Fund	

TOTAL (to equal amount stated in box above):

† *In order to comply with Japanese Ministry of Finance requirements, payment cannot be made in Yen.*

Payment in cleared funds for Participating Shares of any class can only be accepted in any of the four approved currencies (Sterling, U.S. Dollars, Deutschemarks or Swiss Francs) and must be received by the Managers not later than 10.00 a.m. on the relevant Subscription Day (usually a Friday). If you wish to remit sums in another currency (other than Yen), the Managers should be contacted for further details.

Please complete either one of the payment advices.

(A) Payment by Cheque or Bankers' Draft

I/We enclose a cheque/bankers' draft for payable to Guinness Mahon Fund Managers (Guernsey) Limited.

(B) Payment by Telegraphic Transfer via a Bank on your instructions

I/We have instructed my/our bank to remit by telex to the appropriate correspondent bank indicated below. (Please tick box opposite the relevant correspondent bank).

Sterling	*Account No.*		*U.S. Dollars*	*Account No.*	
Guinness Mahon & Co. Limited, 32 St. Mary at Hill, London, EC3P 3AJ, England.	GMG Ltd. Ref: GMFMG a/c 163881207	☐	Manufacturers Hanover Trust Company 4 New York Plaza, New York, N.Y. 10015, U.S.A.	GMG Ltd. Ref: GMFMG a/c 544-7-09042	☐
Deutschemarks Deutschebank A.G., Junghofstrasse 5-11, 6 Frankfurt am Main, West Germany.	G. M. & Co. Ltd. Ref: GMFMG a/c 9258781	☐	*Swiss Francs* Credit Suisse, 8 Paradeplatz, 8021 Zürich, Switzerland.	G. M. & Co. Ltd. Ref: GMFMG a/c 942810-03	☐

Name, branch address and code of bank instructed to make payment by telegraphic transfer

Registration Particulars

Surname: Mr./Mrs./Miss/Title
First Name(s):
Address:
Telephone: Telex:

Particulars of Joint Applicants

In the case of a Joint Application, the other Applicant(s) should sign and insert details in the space(s) provided.

Surname: Mr./Mrs./Miss/Title
First Name(s):
Address for Communication if different from above:
Signature: Date:

Surname: Mr./Mrs./Miss/Title
First Name(s):
Address for Communication if different from above:
Signature: Date:

☐ Please tick box if you wish to register your Shares in the name of **Guinness Mahon Guernsey Nominees Limited.**

Dividend Instructions (please tick appropriate box)

either **Payment**
☐ I/We hereby request that all dividends which may from time to time become payable on Participating Shares registered in my/our name(s) or in the name(s) of my/our nominee(s) or in the name(s) of my/our survivor(s) be drawn and forwarded to the undermentioned agent or bank. (Your compliance with this request shall discharge the Company's liability in respect of such dividends.)

Name of Agent or Bank
Address
Account No.

or **Reinvestment**
☐ I/We hereby request you to reinvest all dividends in further Participating Shares of the same class. I/We hereby request you to pay such dividends to Finistere Limited prior to reinvestment. No initial charge will be made on dividends reinvested.

Currency of Dividend Payment
☐ Please indicate whether you wish to receive your dividend payment in U.S. Dollars or Sterling by writing "U.S.$" or "£" in the box. N.B. If no indication is made, dividend payments will be paid in the currency of designation of the relevant class of Participating Shares (except in the case of Yen where dividends will be paid in U.S. Dollars).

Payment of Redemption Proceeds
☐ Please indicate whether you wish to receive your redemption proceeds in U.S. Dollars or Sterling by writing "U.S.$" or "£" in the box. N.B. If no indication is made, redemption proceeds will be paid in the currency of designation of the relevant class of Participating Shares (except in the case of Yen where settlement will be made in U.S. Dollars).

Declarations

Delete whichever of the following is not applicable:
I/We declare that:
(i) I/We have attained the age of 18 years. (Applies to individual investors only).
(ii) (a) The Shares are not being acquired directly or indirectly by or on behalf of a United States person or in violation of any applicable law. (A "United States person" is defined in Section B9 of the Appendix.) OR
(b) I am/We are "Accredited Investor(s)" as defined in Regulation D of the United States Securities Act of 1933.
(iii) I am/We are not resident in the Islands of Guernsey, Herm or Alderney for tax purposes (or the nominee or trustee of such a person).

Signature: Date:

If this form is signed by an Attorney, it must be accompanied by the Power of Attorney. A corporation must execute this Application Form under its Common Seal or the hand of a duly authorised officer whose capacity should be stated.

Professional Advisers

☐ Please tick box if you wish to authorise the Managers to accept instructions from your Professional Adviser on your behalf.

☐ Please tick box if you wish the Managers to remit an initial fee to your Professional Adviser and indicate below the remuneration to be paid. N.B. This payment is in addition to any applicable initial charge to be paid to the Managers.

I authorise the Managers to pay [ ] per cent. of the amount to be invested to my Professional Adviser.

Signed

Professional Adviser or Agent's Stamp

Guinness Mahon Global Strategy Fund Limited

UK COMPANY NEWS

Countryside recovers and shows £372,000 increase

SECOND HALF profits of the Billericay, Essex, based property developer and housebuilder Countryside Properties rose from £1.02m to £1.65m. This increase wipes out the shortfall at mid-term and puts the group £372,000 ahead to £2.21m for the year ended September 30 1984.

Shareholders receive an increased final dividend of 3.22p, to lift the total from 4.62p to 5.04p net. The profit represents a return on their funds of 24 per cent, says the chairman Mr Alan Cherry. At the year end shareholders' funds had risen by 22½ per cent.

Mr Cherry considers the results "most satisfactory" having regard to the extra costs incurred in changing from the use of the timber frame system of construction to the brick and block method which particularly affected the first half.

Also, commercial and industrial property development profit margins were, in many cases, adversely hit by the slower letting market.

Looking at prospects, the chairman feels that overall the company has a very good future programme of new housing and commercial and industrial property development, and this is considered well balanced having regard to current conditions and expectations.

Mr Cherry is cautiously optimistic for the current year despite the disappointing news on interest rates, and expects the company to continue the progress achieved in recent years.

In the year 1983-84, turnover advanced from £20m to £34.84m and gross profit from £2.91m to £3.5m. The sale of 425 new homes was completed to owner-occupiers for total proceeds of £22.8m and a gross profit of £2.5m; while sales of new office and industrial buildings realised a total of £12m and a gross profit of £1m.

After tax £128,000 (£119,000) the net profit came to £2.08m (£1.72m) for earnings of 34.7p (28.6p) per share.

Borrowings at the year end were £12.9m and were considerably below the levels of recant times.

In the current year the number of house completions was affected by the summer increase in mortgage rates, but the reduction in December gave some stimulus to the market and an improvement in the number of reservations.

As regards commercial and industrial developments, the new office building at Orplogton has been sold to Dominion Insurance; the one at Waltham Cross is 50 per cent let and tenants are being sought for the building at Royal Tunbridge Wells. A further unit of the industrial achema at Hook Rise has begun.

Mixed year for Equitable Life

Equitable Life Assurance Society, the oldest mutual life company in the world, reported another mixed year for new business last year with new annual premiums rising by a fifth from £65.8m to £79.1m, but single premiums down marginally from £47.7m to £45.1m.

The society's life business was affected by the loss of LAPR in last year's Budget and new annual premiums dropped 17 per cent from £8.2m to £6.8m. However this was more than offset by strong growth in pensions business.

New annual premiums on self-employed pensions rosa 27 per cent from £34.2m to £43.4m, while executive pensions saw new annual premiums rise nearly 30 per cent from £12m to £15.5m.

Group pension new annual premiums climbed 13 per cent from £11.1m to £12.5m, with Additional Voluntary Contribution business buoyant. The company is a leader in the AVC market with more than 800 schemes on its books.

The decline in single premium business was accounted for by a special £10m pension scheme transfer in 1983—a one-off transaction that was not repeated.

Construction holds back Isis halftime profit

IN SPITE of a small loss sustained in its construction division, the Isis Group has returned a profit of £938,000 in the half year ended September 30 1984, compared with £1m.

The construction side showed a drop of more than £500,000, but is now trading profitably. With the continuing steady performance of the other main operating companies, and assuming certain property developments are sold before March 31 1985, it is expected that tha outcome for the year will be satisfactory. In 1983-84 the profit before tax came to £2.13m.

Mr Lamont Park, chairman, says profits from the properties division are increasing satisfactorily, and the plant companies have held on to the improvement achieved last year with the contribution from pneumatics continuing to rise.

During the period, an extraordinary loss of £266,000 was incurred in respect of the sale of a fork-lift depot; and a further loss of £354,000 will come prior to the year end on the disposal of the rest of the fork-lift division. Of the £620,000 total, soma £320,000 represents tax.

The sala marks the end of the rationalisation programme of the plant-hire business, tha chairman states. Since 1981, the total number of depots has been reduced from 29 to nine.

In the half year, turnover rose almost 29 per cent to £23.34m, but trading profit declined from £1.35m to £1.15m. After tax £261,000 (£9,000) the net profit is £677,000 (£993,000).

The company's shares are traded in the market made by Granville.

Warner's overseas pull-out

Warner Holidays, which was bought by Grand Metropolitan in May 1981, has ended its overseas operations. The company traded overseas under the name of Nova and offered hotel, apartment and mobile home holidays in France, Spain and the Balearic and Greek Islands.

In the year to September 30 1984 Warner reduced its pre-tax losses from £2.66m to £1.26m, but although the results reflect further increased trading in the UK holiday centres, the overseas operating activities were adversely affected by the "fierce competition" which prevailed during the year. This has led to the decision to withdraw from the overseas market at the end of the 1984 season.

In the UK, meanwhile, significant reinvestment to improve accommodation and entertainment facilities is continuing. A company spokesman was not prepared, at this early stage in the year, to comment on the number of bookings so far received for this year's holiday period.

Gross revenue for the year showed a modest decline from £12.91m to £12.87m. There were tax credits of £1.53m (£1.46m). After extraordinary debits of £281,000 (£255,000), the group's attributable loss was £225,000

Japan Assets

Acceptances have been received in respect of £5.97m of the £7.5m of 4¼ per cent convertible loan atock 1994 offered via a rights issue by Japan Assets Trust. The balance has been sold in the market at an average price of £102.97 per £100 of loan stock.

Wigfall cuts loss despite fire and pit strike

Henry Wigfall and Son, Sheffield-based electrical, furniture and fashionwear retailer has reduced its pre-tax losses to £487,000 for the 28 weeks to October 13 1984.

The result shows an improvement of £103,000 over the comparable period, and this progress has taken place despite both the miners' strike and the loss by fire of the group's largest store in Sheffield in May 1984, says Mr Gordon Hazzard, group chairman.

Turnover increased from £18.92m to £20.33m, and the second half has so far shown a continuing increase. Although the Christmas surge started later than usual, business over the holiday period was up to the group's expectations.

Despite the miners' dispute and continuing difficult trading conditions, the directors anticipate that the second half trading will recover the first half loss.

The overall trading improvement this time reflects an increase in the cash and credit retail content of the group's business, Mr Hazzard says, which in turn was ahead of the general market increase.

Wigfall's first "edge-of-town" store opened in Leicester in August. This had little impact on the interim results, but the group has since opened two similar, though smaller, stores in Bilston and Salford, and has taken a large concession area within a furniture discount warehouse in Northampton.

The pre-tax figure was struck after increased interest payments of £673,000 (£588,000). There was again no tax, and stated net losses per share merged at 9.4p (11.3p).

Buy-out at Viscose

The management of Viscose Closures, a Crawley-based distributor of cellulose, metal and PVC caps and capsules, has bought the group from its former parent for £2m with the aid of a consortium of City institutions.

Viscose was a trading division of Spontex, which is owned by the French conglomerate Chargeurs S.A. and makes sponges, cleaning products and the products marketed by Viscose Closures.

Tha management team is led by Mr Bryan Cheshire, managing director of Viscose Closures. The deal was arranged by County Bank Venture Capital, which has taken an equity stake in the group along with Citicorp Venture Capital and Investors in Industry.

FT COMMERCIAL LAW REPORTS

Arbitrator's reasons mixed up parties

MUTUAL SHIPPING CORPORATION OF NEW YORK v BAYSHORE SHIPPING COMPANY OF MONROVIA

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Robert Goff and Sir Roger Ormrod): December 21 1984

THE COURT may look at an arbitrator's "restricted" reasons for making his award and remit the award to him for reconsideration if they reveal this his inadvertent transposition of the parties led to a major error in his calculations; and had the matter not come before the conrt, the arbitrator would have had power to amend the award himself without judicial intervention, in that the error was not one of judgment, but arose from an accidental slip.

The Court of Appeal so held when dismissing an appeal by shipowners, Bayshore Shipping Company of Monrovia, from Mr Justice Hobbouse's decision to remit for reconsideration an arbitrator's award made accidentally in their favour against charterers, Mutual Shipping Corporstion of New York.

* * *

SIR JOHN DONALDSON MR said that the arbitrator had had to resolve e number of individual disputes on specific items appearing in the final accounts between owners and charterers of the Montan.

By his award dated August 1 1983 he ordered the charterers to pay $62,402 to the owners. It was now clear that he should have ordered the owners to pay $27,527 to the charterers.

The owners submitted that they were entitled to retain thet windfall benefit because the court should not have looked at the documents which revealed the truth.

The arbitrator was not asked to give reasons for his award because the issues were purely matters of fact but, in accordance with the practice of London maritime arbitrators, he had provided the parties with documents headed "Reasons . . . not . . . to be used in any way in connection with" the award.

It was that document which revealed to the charterers that the arbitrator bad made a mistake. When adjusting the figures he had transposed the parties so that "charterers" should have read "owners" and vice versa. When be came to calculate the final account be incorporated tha wrong figures because of that unintentional transposition.

The charterers applied to the court for an order under section 22 of the Arbitration Act 1950, to remit tha award to the arbitrator for reconsideration. Mr Justice Hobhouse made such an order and the owners now appealed.

The Arbitration Act 1979 had abolished all right to set aside or remit an award for error of fact or law on its face, and bad substituted a limited right of appeal on questions of law, based on the arbitrator's reasons for bis award.

Unless ordered to do so, arbitrators were not required to give reasons. The present position was that an arbitrator could (a) give reasons for bis award without any restrictions on the use to be made on them; (b) give no reasons; or (e) give reasons subject to a restriction.

Whether or not reasons were issued was irrelevant. Unrestricted reasons could form the basis of an application for leave to appeal on a question of law. Where an arbitrator gave no reasons, the court had power to order him to supply them in sufficient deteil to enable it, if leave to appeal were granted, to consider the question of law under appeal (see section 1 (5) of the 1979 Act).

The courts had not yet been asked to order an arbitrator to remove the restriction on restricted reasons, but no doubt they could do so in circumstances in which, if no reasons had been given they would have ordered them to be given. They could achieve that result by wholly ignoring the restricted reasons, treating the arbitrator as having no reasons, and ordering new reasons.

Where restricted reasons were given and accepted by the parties, the parties must ha deemed to have agreed that the reasons could not be placed before the court.

Such an agreement purported to oust the jurisdiction of the court and was void as being contrary to public policy (*Czarnikow [1922] 2KB 478*). Were it otherwise, the court would be powerless in the face of misconduct or even fraud revealed by the restricted reasons.

The court could therefore look at the arbitrator'a reasons in the present case, though no question of misconduct or fraud arose.

The purposes for which reasons could be used were extremely limited. Few nations were prepared to lend the power of the state to enforcing arbitration awards without retaining some right to review the wards themselves.

On the other hand, it could not be over-emphasised that the parties, having chosen their tribunal, had to accept it "with all faults." Accordingly, even if the reasons showed an error of fact or law, the court would take no action unless, in the case of an error of law, the reasons were "open" or "unrestricted" and leave to appeal was obtained under section 1 of the 1979 Act.

The principal supervisory review powers of the English courts were contained in sections 22 end 23 of the Arbitration Act 1950.

Section 23 empowered the court to set an award aside if the arbitrator had misconducted bimself or the reference. Section 22 empowered it to remit an award for reconsideration. That section provided the ultimate safety net whereby injustice could be prevented, but it could not be used merely to enable the arbitrator to correct errors of judgment on fact or law, or to have second thoughts, even if they would be better thoughts.

In tha present case the arbitrator had accidentally made a major error which, if uncorrected, would lead the charterers to pay the owners, when the owners should be paying the charterers.

No court could lend the power of tha state to the enforcement of such an award and no court should stand by when it had power to correct such an accidental error.

The arbitrator could have applied himself to bave the award remitted to him in order that he might correct the error. His application would have succeeded without tha slightest difficulty.

He had admitted that he made an accidental error, but such an admission was not a prerequisite for the exercisa of the court's jurisdiction to remit. If an arbitrator said nothing and there was a strong *prima facie* case that there had been an accidental error, the award could be remitted to him with a direction to reconsider it and to revise it if, but only if, there were such an error.

If an arbitrator denied that ba made any error or that the error was accidental there would still be jurisdiction to remit, but the court would not consider remission appropriate unless other factors were present.

Much of the argument turned on whether the arbitrator could have corrected his error in the exercise of his power under section 17 of tha 1950 Act ["power to correct in the award any clerical mistake or error arising from any accidental slip or omission"].

Since he did not do so, and since the award was now before the court, it should be remitted to the arbitrator, whether or not he could have achieved that result without judicial intervention.

Section 17 was directed to clerical mistakes in the award, and to errors in the award. It was necessary to consider carefully why the award was erroneous. Was it due to a mistaken appreciation of the evidence or of the law? Or was it due to an accidental slip or omission? Section 17 applied to the latter but not to the former.

In the present case the arbitrator had correctly recorded the competing views of the expert witnesses, but accidentally and erroneously attributed the views of the owners' expert to those of the charterers', and *vice versa*. It was a classic case of "error" arising from an "accidental slip." The arbitrator could therefore have corrected the error himself by issuing an amendment to his award.

Where an arbitrator was minded to exercise the power under section 17 he should notify the parties and give them an opportunity to challenge in the courts the applicability of the power to the facts of the particular situation.

The appeal should be dismissed.

LORD JUSTICE ROBERT GOFF, agreeing, said that if an arbitrator made a mistake and admitted it, and then drew the matter to the attention of the court and asked the court to correct it, he could do so without reference to the document containing his reasons, and no question of the confidentiality of that document need arise.

SIR ROGER ORMROD, also agreeing, said that the owners conceded that they were the beneficiaries of a gross miscarriage of justice, but contended that tha court and the arbitrator were impotent.

The question should never have reached the courts because it could and ought to have been resolved by tha parties themselves as honest people.

Perhaps it would be safer to regard confidentiality of the reasons as a matter of practice which was generally accepted by all concerned and recognised by tha court, which would support it to the extent of usually in its discretion refusing to look at such reasons, in order to preserve the finality of awards.

For the shipowners: Roger Buckley QC and Peter Irvin (Lloyd Denby Neal).

For the charterers: Jeffrey Grider (Norton, Rose, Botterell and Roche).

By Rachel Davies
Barrister

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday January 16 1985

Copper prices surge to five-year record, Page 36

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WALL STREET

Divergent reactions to rate cut

THE GENERAL reduction in prime rates by the leading U.S. banks had been widely expected on Wall Street, and the blue chip issues made no further advance yesterday. However, the stock market remained buoyant in very heavy turnover, with the second line issues edging forward, *writes Terry Byland in New York.*

Some profit-taking was seen towards the end of the session, as investors braced themselves for IBM's results, which are expected tomorrow to open the 1984 season of major corporate results. The prime rate cuts helped the bond market, however, which closed with gains of three quarters of a point.

After abandoning an early gain, the market hung fire until the latter part of the session, when there was some selling of the leaders. The final half hour brought a rally, and the Dow Jones industrial average ended a net 3.75 points down at 1,230.79. Turnover surpassed recent levels, and the shares traded total of 156.4m was the highest since December 18.

Nevertheless, the mood of the stock market remained relatively bullish, with analysts suggesting that the Dow may break out of its recent trading range as the prime rate cuts spur a revival of economic activity.

Second line stocks were busy, and trades in large blocks of shares, the footprint of the institutions, doubled yesterday. Two large deals in Gulf & Western, totalling 2.9m shares, prompted admission by Batterymarch Financial Management that it had sold "a fair amount of (G & W) stock." At $124⅝, IBM was down $⅛ in heavy trading.

The credit markets, by contrast, opened strongly in response to the prime rate cuts and a further dip in federal funds to below 8 per cent. Economic *data published yesterday* appeared to confirm slower growth in December. Retail sales fell by 0.1 per cent, and industrial production grew sluggishly by 0.6 per cent. The bond market gained three quarters of a point by mid-session.

Improved earnings from the leading banks helped the financial sector. Citicorp added $½ to $40, Bankers Trust $1⅛ to $60⅝ and Manufacturers Hanover $⅛ to $37⅞, all responding to their fiscal 1984 profits statements. Higher fourth-quarter earnings reflected the fall in the banks' cost of funds several weeks ahead of the reductions in prime rates.

Texas Commerce Bancshares was unchanged at $39⅝, also following its profits announcement.

Paper industry issues turned irregular as the results season opened. International Paper, leader of the world industry, fell $½ to $53⅜ after disclosing a heavy write-off, which pushed the final quarter into loss. However, at $86¼, Crown Zellerbach gained $⅞.

With world oil prices still weak, major oil stocks shaded lower. The speculative issues also had a quiet session. Motor stocks, however, maintained the gains chalked up over the past fortnight.

Retail issues turned down after confirmation of reduced sales in December. The fall of 0.1 per cent was greater than expected, and augurs ill for annual profits at the major groups, which take most of their earnings from the final quarter.

J. C. Penney slid $¾ to $48¼ and Sears was $1⅛ off at $32⅝. K mart, in the process of moving into super drugstores through its $500m purchase of Pay Less Drug Stores Northwest, added $¼ to $36½. Pay Less, at $28½ against the planned offer of $27, gave up $1.

Food and supermarket stores, however, influenced by relatively strong unemployment figures, moved higher, with American Stores, $¾ higher at $45, although Great Atlantic Pacific Tea fell $1 to $26½.

CBS, the major television network operator which has been threatened with stock purchases by a conservative investor group led by Senator Jesse Helms, was a further $1½ up at $78⅝.

Time Inc, the publisher fell $1⅛ to $43½ after the magazine published a partial retraction of the article which brought a libel suit from Mr Ariel Sharon, former Israeli Defence Minister. The libel case went to the jury on Monday.

Despite the renewed strength of the dollar, pharmaceutical stocks recorded narrowly mixed changes. Pfizer moved up $⅛ to $41⅝, while Merck at $93⅝ shed $1⅛. Airline stocks rallied after last week's bout of profit-taking.

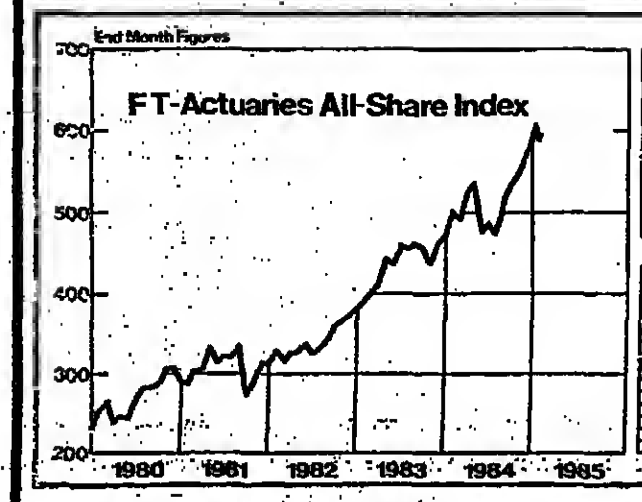
In chemicals, Monsanto stood out with a gain of $¾ to $42¾

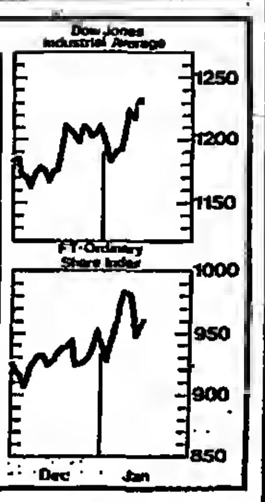
Commodore International shed a further $⅞ to $14⅞ as investors shied away from the increasingly competitive structure of the personal computer industry. Apple Computer lost $⅝ to $30.

In the credit market, short-term rates eased again, although the federal funds rate at 8 per cent edged higher after the opening. At noon, the federal Reserve drained short-term liquidity by selling bills. *Treasury bill rates were a shade* off on the day.

The bond market traded higher without seeing any great increase in retail interest. At 101 29/32, the key long bond was up 20/32.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Jan 15	Previous	Year ago
DJ Industrials	1,230.79	1,234.54	1,270.10
DJ Transport	591.78	587.80	602.96
DJ Utilities	148.39	148.34	134.90
S&P Composite	170.81	170.51	167.02
LONDON			
FT Ord	961.8	949.3	807.1
FT-SE 100	1,233.2	1,220.5	1,042.7
FT-A All-share	594.77	590.17	491.39
FT-A 500	652.79	646.90	524.70
FT Gold mines	460.1	465.8	520.2
FT-A Long gilt	10.67	10.72	10.03
TOKYO			
Nikkei-Dow	closed	11,823.91	10,150.9
Tokyo SE	closed	930.39	762.24
AUSTRALIA			
All Ord.	734.8	734.2	775.0
Metals & Mins.	407.9	409.9	541.1
AUSTRIA			
Credit Aktien	58.52	58.73	55.13
BELGIUM			
Belgian SE	2,151.26	2,157.2	–
CANADA			
Toronto			
Metals & Minls	1,969.9	1,964.7	2,504.0
Composite	2,394.1	2,388.0	2,565.4
Montreal			
Portfolio	120.17	119.64	125.94
DENMARK			
Copenhagen SE	160.43	159.44	221.8
FRANCE			
CAC Gen	189.9	189.7	167.3
Ind. Tendance	103.9	103.7	89.7
WEST GERMANY			
FAZ-Aktien	391.33	388.43	353.32
Commerzbank	1,137.7	1,130.8	1,043.8
HONG KONG			
Hang Seng	1,331.0	1,358.06	975.47
ITALY			
Banca Comm.	248.89	247.44	212.34
NETHERLANDS			
ANP-CBS Gen	190.3	187.9	164.2
ANP-CBS Ind	152.2	151.2	136.6
NORWAY			
Oslo SE	314.31	311.84	233.6
SINGAPORE			
Straits Times	770.16	774.54	1,035.21
SOUTH AFRICA			
Golds	n/a	1,010.6	827.4
Industrials	n/a	906.3	932.4
SPAIN			
Madrid SE	108.86	107.67	75.53
SWEDEN			
J & P	1,414.01	1,439.51	1,526.5
SWITZERLAND			
Swiss Bank Ind	403.4	401.7	386.0
WORLD	Jan 14	Prev	Year ago
Capital Int'l	189.3	188.5	186.5

GOLD (per ounce)

	Jan 15	Prev
London	$302.75	$302.00
Zürich	$303.05	$299.50
Paris (fixing)	$302.51	$301.44
Luxembourg	$302.75	$301.60
New York (Feb)	$302.30	$303.90

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Jan 15	U.S. DOLLAR Previous	STERLING Jan 15	STERLING Previous
$	–	–	1.12	1.111
DM	3.185	3.1935	3.5675	3.55
Yen	254.7	255.45	285.25	283.75
FFr	9.7475	9.775	10.93	10.845
SwFr	2.68	2.678	3.0025	2.97
Guilder	3.5985	3.6055	4.04	4.005
Lira	1,953.5	1,956.5	2,191.0	2,172.0
BFr	63.75	63.75	71.45	70.9
C$	1.32445	1.32425	1.4805	1.471

INTEREST RATES

	Jan 15	Prev
Euro-currencies (3-month offered rate)		
£	12 9/16	12¼
SwFr	5⅝	5 1/16
DM	6 1/16	6
FFr	11 1/16	10 13/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8½	8⅝
6-month U.S.$	9	9 1/16
U.S. Fed Funds	8⅝	8⅝
U.S. 3-month CDs	8.10	8.15
U.S. 3-month T-bills	7.75	7.75

U.S BONDS

Treasury		Jan 15* Price	Jan 15* Yield	Prev Price	Prev Yield
9⅞	1986	99 29/32	9.98	99 27/32	10.01
11⅝	1992	101 15/32	11.36	100 29/32	11.46
11⅝	1994	100 19/32	11.55	100 9/32	11.59
11¾	2014	101 29/32	11.81	100 27/32	11.65

Corporate	Jan 15* Price	Jan 15* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	95⅞	11.40	95⅞	11.40
3⅞ July 1990	73⅞	10.25	73⅞	10.25
8¾ May 2000	77	12.10	77	12.10
Xerox				
10⅞ March 1993	94	11.80	94	11.80
Diamond Shamrock				
10⅜ May 1993	91⅝	12.25	91⅝	12.25
Federated Dept Stores				
10⅜ May 2013	86¾	12.30	86¾	12.30
Abbot Lab				
11.80 Feb 2013	94½	12.50	94½	12.50
Alcoa				
12¼ Dec 2012	96⅛	12.75	96⅛	12.75

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	70–30	71–12	70–25	70–16
U.S. Treasury Bills (IMM) $1m points of 100%				
Mar	91.91	92.02	91.87	91.85
Certificates of Deposit (IMM) $1m points of 100%				
Mar	91.26	91.31	91.23	91.12
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	90.94	90.95	90.78	90.75
20-year National Gilt £50,000 32nds of 100%				
Mar	104–28	105–04	104–09	104–08

COMMODITIES

(London)	Jan 15	Prev
Silver (spot fixing)	536.40p	531.10p
Copper (cash)	£1,196.25	£1,172.50
Coffee (Mar)	£2,348.00	£2,336.50
Oil (spot Arabian Light)	$28.35	$28.35

LONDON

Measure of confidence is rebuilt

CONFIDENCE SLOWLY returned to London yesterday as foreign exchange markets calmed after Monday's confusion and sterling began to show some signs of the desired response to higher interest rates.

The late upturn in sterling's value against the dollar turned a fragile recovery in gilts and share values into a more substantial movement.

News of a softening in short-term U.S. interest rates coupled with more prime lending rate reductions to 10½ per cent, factors which caused the dollar's strength to falter, contributed to the improvement.

Illustrating the late strength, the FT Ordinary share index more than doubled its 6.1 rise at 3pm to close up 12.5 at 961.8.

Government securities rallied strongly, after showing opening losses, to settle up ½ on the day.

Chief price changes, Page 30; Details, Page 31; Share information service, Pages 30–33

AUSTRALIA

RESOURCE STOCKS failed to share the support lent the industrial sector and closed generally weaker. Continued concern about the future course of international commodity prices held mineral exporters in check.

Reflecting the trend, the all-resources index eased 3.4 to 449.9 with BHP 8 cents lower at A$5.10, CSR 3 cents down at A$2.88 and Bell Resources 10 cents off at A$4.45.

Elsewhere situation stocks added life to a firmer industrial market. Allied Mills, the subject of a partial takeover bid from Industrial Equity firmed 3 cents to A$2.93.

SOUTH AFRICA

GOLD SHARES gained ground in Johannesburg, supported by continued international interest in the wake of strength in the bullion price.

Among the heavyweights Kloof added R2.50 to R81 and of the cheaper stocks the major improver was Blyvoor, which firmed 80 cents to R18.50.

Mining financials also drew support, with Gencor up 75 cents to R24.75, Impala Platinum 75 cents higher at R23.50 and De Beers with a 10 cent improvement to R8.60.

CANADA

A SHARP RISE in activity accompanied firmer share prices in Toronto, despite weakness in oil and paper stocks.

Banks dominated the active list with volume leader Bank of Nova Scotia trading up C$¼, while *Toronto Dominion* finished C$¼ ahead at C$18¼ and Royal held steady at C$30¼ after an early gain of C$¼.

Prices in Montreal also gained ground on higher volume.

EUROPE

Resumption of buying brings peaks

INVESTORS returned as buyers to many European bourses yesterday, taking advantage of the lower prices which resulted from Monday's downturn in share values.

Amsterdam rebounded strongly with the continuing strength of the dollar spurring foreign demand, particularly in the international sector.

The ANP-CBS General index added 2.4 to a record high of 190.3, with some of the advance being attributed to a virtual absence from the market of sell orders.

Royal Dutch rose Fl 3.60 to Fl 178, while Unilever was also in demand, adding Fl 4.50 to Fl 327.50. Akzo picked up Fl 1.50 of recent losses to end at Fl 100.70.

The financial sector also recovered strongly with ABN bank up Fl 8 to Fl 380 and NMB was Fl 4.80 higher at Fl 158.80.

Insurer Amev rose Fl 4.80 to Fl 228.50 as it took a 50 per cent stake in a South-east Asian insurance operation and Nationale-Nederlanden put on Fl 5.50 to Fl 279.

Publisher Elsevier gained Fl 1.50 to Fl 120.50 and VNU was Fl 1.40 higher at Fl 215.50.

Inactive Bols, which announced an unchanged Fl 1 interim dividend, was Fl 1 higher at Fl 106.50.

Bond prices continued their downward drift in quiet trading. The decline was attributed to the strength of the dollar and expectations of an announcement today of a new state issue.

Zurich returned to record-setting form after three sessions during which earlier advances had been consolidated. The Crédit Suisse *stock index advanced* 1.6 to an all-time high of 333.4 while the Swiss Bank Industrial index, up 1.7 at 403.4, was just 0.1 point short of its 12-month high.

The strength of the market is attributed to long-term optimism about the Swiss economy and the current high level of liquidity.

In chemicals, Ciba Geigy was SwFr 5 higher at SwFr 2,590, with the 19 per cent rise in 1984 group sales proving in line with market expectations.

Banks were steady with Baer Holding SwFr 75 higher at SwFr 7,200 after its private bank subsidiary Julius Baer reported sharply higher net profits for 1984.

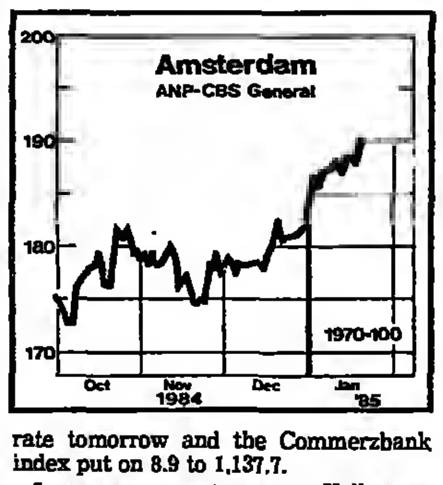
Nestlé found demand, adding SwFr 20 to SwFr 5,890. Jacobs Suchard was unchanged at SwFr 6,550 as it planned to offer 35,000 shares to the public at SwFr 8,450.

Milan continued its advance with the Banca Commerciale Italiana index up 1.45 at another record of 248.89.

During the last trading month, which ended on Monday, share values posted a 16.5 per cent advance.

New peaks were also set in **Oslo** and **Madrid**, which saw advances in all sectors except banks.

Frankfurt investors shrugged off worries over a possible rise in the Lombard rate tomorrow and the Commerzbank index put on 8.9 to 1,137.7.



In a stronger motor sector, Volkswagen put on DM 2 to DM 207, with the news that *it was considering taking a* stake in Seat, the Spanish producer, having little impact.

A DM 3.80 rise to DM 122 for tyremaker Conti-Gummi, was attributed to strong sales of winter tyres. Elsewhere, insurer Allianz recorded a hefty DM 38 rise to DM 1,105.

Bonds continued their downward trend, undermined by concern over the outlook for interest rates. The Bundesbank bought DM 37.3m of paper after sales totalling DM 9.9m the previous day.

Brussels managed a modest rise but **Paris** ended mixed after an active session. **Stockholm** was lower in moderate trading.

HONG KONG

Local sellers pick up their profits

THE LURE of profits left by three days of consecutive rises on the Hong Kong market yesterday inspired a round of broad yet mild selling.

The 90 point advance registered by the Hang Seng index in the recent rally was clipped back by 27.06 to close at 1,331.0, largely under the weight of profit-taking from local investors.

International institutions remained active buyers, attracted by the prospect of further cuts in Hong Kong interest rates following reductions by U.S. banks.

The property sector – the recipient of solid support in recent days – came under most pressure. Hongkong Land lost 20 cents to HK$4.30 and Jardine Matheson fell 50 cents to HK$9.20.

Banks also rebounded. Bank of East Asia dropped 40 cents to HK$25.0, Hang Seng Bank eased 25 cents to HK$47.50 and Hongkong and Shanghai Bank was 15 cents lower at HK$9.

Tokyo markets were closed yesterday *for a public holiday.*

SINGAPORE

FROM FIRM opening levels, prices slipped steadily in Singapore, leaving the Straits Times index at its lowest level for almost a year.

Dealers said that much of the selling continued to come from investors who purchased shares late last year in the expectation of a market rally and who are now cutting their losses.

The index closed down 4.38 at 770.89 *while turnover increased by 1m shares* to 8.9m.

All sectors lost ground with the most significant falls being Bousteadco, which eased 20 cents to S$1.78, National Iron, down 14 cents to S$3.10 and Intraco, 9 cents lower at S$2.21.

Among the most active issues, Lum Chang closed 2 cents higher at 94½ cents and Singapore Press, which rose 10 cents to S$6.00.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.6	14	430	18⅝	18¼	18½	+ ⅛
30½	9⅞	AGS			11	192	14¼	14⅛	14¼	+ ⅜
21	13½	AMCA	1	7.2		1	13⅞	13⅞	13⅞	+ ⅛
17⅞	13⅛	AMF	.50	3.4	82	442	15	14⅝	14⅞	+ ⅛
41¼	24¼	AMR			6	7683	38⅛	37½	37⅞	+ ⅛
20⅝	18¼	AMR	pf2.18	11.		11	19⅝	19⅝	19⅝	− ⅛
41½	27½	AMR	pf2.13	5.9		1500	38⅛	37⅝	37⅞	+ ⅛
25¼	22⅞	ANR	pf2.67	11.		6	24	23⅞	24	+ ⅛
23	19	ANR	pf2.12	11.		5	26	19¼	19¼	− ½
14¼	6⅞	APL			3	5	10⅝	10½	10½	− ½
68⅛	44⅛	ASA	3	6.3		588	47¾	46¾	47⅛	+ ⅛
28½	18	AVX	.32	1.7	11	41	18	18¾	18⅞	+ ⅛
45¼	36⅛	AbtLab	1.20	2.6	13	2880	43½	42⅞	42¾	+ ⅛
23½	16⅞	AccoWd	s.44	2.0	19	53	22¼	22½	22½	− ⅛
27	12½	AcmeC	.40	2.7		151	14⅞	14⅝	14⅞	+ ¼
12⅞	8¼	AcmeE	.32b	3.4	13	2	9⅜	9⅜	9⅜	
16¾	16	AdaEx	2.11e	13		132	16	15⅞	16	+ ⅛
18⅞	11⅞	AdmMl	.32	2.1	8	15	15¼	15⅛	15⅛	− ⅛
20¼	6⅞	AdvSys	.611	7.4	18	191	10⅞	10¾	10⅞	+ ⅛
41⅛	25⅛	AMD			14	9700	33¼	32¼	32⅞	+ ⅜
12	6⅞	Advest	.12	1.3		375	9¼	9	9⅛	+ ¼
14⅞	8¼	Aerflex			11	57	11⅛	11⅛	11⅛	− ⅛
25	27¼	AetnLf	2.64	6.9	32	1851	38⅝	37⅞	38	− ¼
58¾	52½	AetL	pf5.67e	11		20	55½	55⅛	55⅞	+ ⅛
34½	15¾	Ahmns	1.20	4.3	13	3468	29	27⅞	28⅛	+ ⅛

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¾	3⅞	ADI	n		19	84	5⅛	5⅛	5⅛	
3⅛	1⅞	ADI	wt			40	2⅛	2⅛	2⅛	
3¾	⅞	AICPh				10	1	1	1	
15¾	8⅛	ALLab	n.20	1.8	10	72	10⅝	10⅝	10⅝	+ ⅛
15⅝	12	AMC	n .12	.8	12	36	15½	15¼	15¼	− ⅛
4⅞	2⅞	AM	Ind			2378	3⅞	3⅝	3¾	+ ⅛
73	58	ATTFd	n6.52e	7.8		184	u73¼	73	73	+ ¼
6⅞	2¼	AcmePr			29	2	4⅞	4⅞	4⅞	
15⅛	8½	AcmeU	.32	3.2	11	29	10	9⅞	9⅞	− ⅛
16⅞	9⅝	Action			38	128	15⅞	15⅛	15¼	
9¼	3⅝	Acton				41	4⅞	4⅝	4⅞	
3½	5-16	Actn	wt			1	7-16	7-16	7-16	
3⅞	1½	AdmRs			3	72	2¼	2	2¼	+ ⅛
28⅞	15⅞	AdRusl	.14	.5	20	48	26¼	25⅞	25⅞	− ⅛
24⅛	15	Adobe	.24	1.4	11	452	16⅞	16¼	16⅞	+ ⅛
8⅞	4½	Aerons			7	56	6⅞	6⅛	6¼	+ ⅛
35¼	16⅞	AlliHsp	.44	1.3	15	148	35⅞	35⅛	35⅛	
50⅞	38½	AlliPub	.80	1.8	15	31	48⅞	47⅞	48½	+ 1½
9⅞	6	AirExp			9	16	7⅞	7⅞	7⅞	+ ⅛
14¼	5⅞	Aircal				275	7⅞	7½	7¾	+ ⅛
5⅛	2⅞	Alamco			7	35	3⅞	3⅝	3⅞	+ ⅛
75⅞	65½	Almico	n			180	73¾	72¼	73⅞	+ 1½
14	6⅞	AlbaW			8	8	8	7⅞	7⅞	− ⅛
9⅛	5⅞	Alohe			1	7	6	5⅞	9	+ ⅛
21⅛	9½	Alphaln	.05	.4	14	199	12	11⅛	11⅞	+ ⅞
1⅞	½	Altex				457	1¼	13-16	13-16	−1-16
⅞	⅛	Altex	wt			10	3-16	3-16	3-16	
34⅛	28⅞	Alcoa	pf3.75	12.		2460	32	31⅞	32	+ ½
22	11	AlzaCp			58	1276	21⅞	20⅞	21¼	+ 1½
20⅞	9½	Amdahl	.20	1.4	18	1237	16⅞	14⅞	14⅞	− ⅞
16⅞	6⅞	Amedco	.08	.8		129	10	9⅛	9⅞	+ ⅛
7¼	4⅞	AmBlt	.15	2.2	5	44	6⅞	6⅛	6⅞	
9⅞	4	AmCap				38	6⅞	6½	6⅞	+ ⅛
27	12¼	AExp	wt			363	26⅛	25½	25¾	+ ⅛
7⅞	5⅞	AFruc	A			108	7⅞	7½	7½	
7⅞	6⅞	AFruc	B			148	7⅞	7½	7½	
12¼	7¼	AHlthM			7	189	8⅞	8⅛	8⅞	+ ½
6⅞	4	AIsrael			2	1	5⅞	5⅞	5⅞	+ ⅛
18⅞	12⅞	AMzeA	.52	3.1	9	75	17	16⅞	17	
18½	12⅞	AMzeB	.52	3.2	9	3	16½	16½	16⅞	+ ½
3	⅞	AMBld				290	1⅞	19-16	19-16	
10	3	AmOil			20	5	4	4	4	
64⅛	53½	APetf	3.20	5.3	13	96	60¼	60¼	60⅞	

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅝	3½	WnU	pfS			166	3⅛	3½	3⅞	
15⅞	5⅝	WnU	pfE			146	6⅛	5⅞	5⅞	− ⅛
20⅞	9	WUTl	pfA			100	8⅞	d6⅞	7⅞	− ⅞
28¼	19⅞	WsIgE	s 1	3.7	0	6523	27½	26¼	26⅞	− ⅛
40½	31⅛	Westvc	1.32	3.4	8	487	38½	37⅞	38⅛	+ ½
34⅛	25	Weyerh	1.30	4.1	17	4616	32⅛	31½	32	
44⅛	34¾	Weyr	pf2.80	6.6		22	42½	42¼	42¼	− ½
50½	45⅞	Weyr	pr4.50	9.2		15	48⅞	48⅞	48⅞	+ ⅛
35⅞	12⅞	WhelPit				142	14⅞	14⅞	14⅞	− ⅛
43	31½	WhPit	pf 6	17		z10	34½	34¼	34⅞	− ¼

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E-price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Jan. 15	Price Sch%	+ or −
Creditanstalt	227	.....
Goesse	339	+2
Interunfall	405	.....
Laenderbank	887	+1
Perlmooser	557	−5
Steyr-Daimler	165	+1
Veitscher Mag.	266	+1

BELGIUM/LUXEMBOURG

Jan. 15	Price Frs.	+ or −
B.B.L.	1,850	.....
Banq. Int. A. Lux.	6,630	.....
Bekaert B	4,400	.....
Ciment CBR	3,610	.....
Cockerill	268	−5
Delhaize	6,600	.....
EBES	2,266	+10
Electrobel	6,210	.....
Fabrique Nat	2,080	−25
GB Inno BM	3,080	−16
GBL (Brux)	2,040	−40
Gevaert	3,650	.....
Hoboken	6,100	−50
Intercom	2,150	−50
Kredietbank	7,700	−40
Pan Hldgs	9,900	.....
Petrofina	6,800	−10
Royale Belge	10,475	+276
Soc. Gen. Banq.	5,250	+16
Soc. Gen. Belge	1,230	−10
Sofina	7,460	+50
Solvay	4,120	−20
Stanwick Intl.	1,450	.....
Tractionel	3,850	.....
UCB	4,260	−60
Wagon Lits	2,210	−120

DENMARK

Jan. 15	Price Knr %	+ or −
Andelsbanken	260	.....
Baltic Skand	545	+2
CopHandelsbank	269	.....
D. Sukkerfab	470	+5
Danske Bank	260	.....
De Danske Luft.	2,190	.....
East Asiatic	156	−2
Forenede Bryg	795	+15
Forenede Damp	26	−1
GNT Hldg	568	+7
I.S.S.B.	346	.....
Jyske Bank	605	+5
Novo Ind.	1,455	+55
Privatbanken	224	−1
Provinsbanken	313	−1
Smidth (F)	218	−1
Sophus Berend	865	.....
Superfos	410	.....

FRANCE

Jan. 15	Price Frs.	+ or −
Emprunt 4½% 1973	1,651	−1
Emprunt 7% 1973	8,220	+5
Accor	236.5	−3
Air Liquide	673	+3
BIC	535	−8
Bongrain	1,728	−2
Bouygues	725	+7
BSN Gervais	2,445	+5
CIT Alcatel	1,250	+25
Carrefour	1,872	−1
Club Mediter'n	1,160	+20
Cie Bancaire	591	−9
Cofimeg	251	−4
Damart	2,385	+85
Darty	1,105	.....
Dumez S.A.	726	+7
Eaux (Cie Gen)	645	+6
Elf-Aquitaine	227.6	−0.3
Essilor	2,949	.....
Gen. Occidentale	658	+15
Imetal	76.4	−0.7
Lafarge Coppee	376	+6.7
L'Oreal	2,361	−4
Legrand	1,980	+4
Maisons Phenix	222	+7
Matra S.A.	1,740	−15
Michelin B	789	−1
Midi (Cie)	2,161	+22
Moet-Hennessy	1,949	+24
Moulinex	94.9	+3.7
Nord Est	81.4	+1.1
Pernod Ricard	706	−4
Perrier	480.5	−1.6
Petroles Fra.	256	−1
Peugeot S.A.	253.5	−1.8
Printemp.Aus.	185.5	−2.4
Radiotech	225	+5
Redoute	1,216	+6
Roussel-Uclaf	640	−5
Sefimeg	292.5	−1.5
SkisRossignol	1,900	−9
Telemech Elect	2,225	−20
Thomson CSF	438	+4
Valeo	228	+3

GERMANY

Jan. 15	Price Dm.	+ or −
AEG-Telef	106.5	+0.7
Allianz Vers	1106	+36
BASF	182.6	−0.4
Bayer	191.9	+0.9
Bayer-Hypo	324	−0.6
Bayer-Verein	356.6	+2.5
BHF-Bank	279	+1.5
BMW	385.4	+4.5
Brown Boveri	192.7	−2.1
Commerzbank	170.6	+0.9
Cont'l. Gummi	122	+2.8
Daimler-Benz	618.5	+5.5
Degussa	339	.....
D'sche Babcock	156.5	+5.5
Deutsche Bank	396	+4
Dresdner Bank	181.2	+0.7
GHH	162.6	+1.5
Hochtief	422	.....
Hoechst	184.8	−0.2
Hoesch Werke	98.6	−0.2
Holzmann (P)	321	+1.5
Horten	185	+5
Hussel	302	.....
Karstadt	241.6	+1.5
Kaufhof	225	.....
KHD	266.8	−0.3
Kloeckner	75.0	+1.4
Linde	399.5	+4.5
Lufthansa	125	+3.5
MAN	151	+1
Mannesmann	154.9	+1.1
Mercedes Hld.	545.5	+4
Metallgesell	218	+1
Muench Rueck	1202	−46
Nixdorf	623	+1
Porsche	1087	+5
Preussag	254	.....
Rhein West Elect	169.5	+0.8
Rosenthal	249.5	+0.5
Schering	465	+3
Siemens	491	+4.4
Thyssen	85.8	+2.5
Varta	176	+2.3
Veba	173.6	−0.6
V.E.W.	124	.....
Verein-West	305	.....
Volkswagen	207	+2

ITALY

Jan. 15	Price Lira	+ or −
Banca Com'le	18,090	.....
Bastogi-IRBS	180.7	−4.3
Centrale	2,445	.....
Credito Varesino	4,261	.....
Fiat	2,881	−16
Finsider	50	.....
Generali Assicur.	36,900	+100
Invest	9,826	.....
Italcementi	76,000	.....
La Rinascente	665	.....
Montedison	1,383	+19
Olivetti	6,150	−44
Pirelli Co.	3,694	+49
Pirelli Spa	2,060	−1
Snia BPD	2,342	−18
Toro Assic.	15,745	.....
do. Pref	10,740	.....

NETHERLANDS

Jan. 15	Price Fls	+ or −
ACF Holding	195	+2
AEGON	160.5	+3
Ahold	206.5	+2.5
AKZO	100.7	+1.6
ABN	380	+6
AMEV	228.6	+4.8
AMRO	72.4	+1.4
Bredero Cert.	169	+5
Bos Kalis Westm.	12.8	.....
Buehrmann-Tet	81.6	+0.7
Calland Hldgs.	32.6	+0.5
Dordtsche Pet'm	161	+2.7
Elsevier-NDU	120.5	+1.6
Fokker	95	+1
Gist Brocades	177	+2.5
Heineken	151.2	+3.1
Hoogovens	65.6	+0.8
Int Mueller	43	+0.1
KLM	42.5xo	+1.9
Naarden	48.6	+0.7
Nat Ned Cert	279	+5.6
Ned Mid Bank	168.8	+4.8
Nedlloyd	156.4	+2.2
Oce Grinten	292.6	+0.6
Ommeren (Van)	28.4	+0.1
Pakhoed	75	+1.5
Philips	57.1	+0.8
Robeco	72.2	+1.8
Rodamco	136.9	+0.2
Rolinco	65.2	+1.2
Rorento	43.6	+0.1
Royal Dutch	178	+3.6
Unilever	327.5	+4.5
VMF Stork	145.5	+0.5
VNU	215.5	+1.4
West Utr Bank	113	.....

NORWAY

Jan. 15	Price Kroner	+ or −
Bergens Bank	162	+1
Borregaard	385	+2.6
Christiania Bank	166	−3
DenNorske Cred	167	−4
Elkem	135	+9
Kvaerner	176.5	+3.6
Norsk Data	392.5	−5
Norsk Hydro	109	+5
Storebrand	240	+2

SPAIN

Jan. 15	Price Pta%	+ or −
Bco Bilbao	315	.....
Bco Central	310	.....
Bco Exterior	201	.....
Bco Hispano	167	−3
Bco Popular	382	−6
Bco Santander	333	.....
Dragados	176	+1.6
Hidrola	87.5	+8.8
Iberduero	91	+8.5
Petroleos	164.5	+4.5
Telefonica	107	+8.5

SWEDEN

Jan. 15	Price Kronor	+ or −
AGA	366	−2
Alfa-Laval	208	−1
ASEA (Free)	360	.....
Astra (Free)	395	.....
Atlas Copco	102	−3
Cardo (Free)	225	.....
Cellulosa	122	−2
Electrolux B	261	−4
Ericsson	275	.....
Esselte	316	+10
Mo Och Domsjo	225	−8
Pharmacia	212	+2
Saab Scania Free	455	+5
Sandvik	385	−5
Skandia	269	−6
Skan Enskilda	52.5	−1.5
SKF	186	−1
St Kopparbergs	171	.....
Sven Handlesbn.	200	−2
Swedish Match	246	−24
Volvo B (Free)	237	+1

SWITZERLAND

Jan. 15	Price Frs.	+ or −
Alusuisse	774	+8
Bank Leu	5,800	−40
Brown Boveri	1,490	+36
Ciba Geigy	2,590	+5
do. (Part Certs)	2,190	−20
Credit Suisse	2,376	+5
Elektrowatt	2,760	.....
Fischer (Geo.)	630	+10
Hoff-RochePtCts	80,260	.....
Hoff-Roche 1/10	9,050	.....
Jacobs Suchard	6,550	.....
Jelmoli	2,000	+10
Landis & Gyr	1,665	+6
Nestle	6,890	+20
Oer-Buehrle	1,520	+5
Pirelli	266	−2
Sandoz (Br)	7,800	.....
Sandoz (PtCts)	1,205	+15
Schindler (PtCts)	655	+10
Sika	1,120	+5
Surveillance	4,110	+55
Swissair	1,100	+6
Swiss Bank	364	.....
Swiss Reinsce	8,250	+50
Swiss Volksbk	1,490	.....
Union Bank	5,685	.....
Winterthur	3,550	.....
Zurich Ins	19,050	+150

AUSTRALIA

Jan. 15	Price Aust $	+ or −
ANZ Group	6.16	−0.04
Alliance Oil Dev	1.05	.....
Ampol Pet.	1.76	.....
Ashton	0.79	−0.01
Aust Cons Ind.	1.68	+0.01
Aust. Guarantee	2.65	+0.01
Aust. Nat. Inds	2.42	+0.02
Aust. Paper	2.52	.....
Bell Group	4.2	+0.05
Bell Res.	4.45	−0.1
Bond Corp Hldgs	1.17	.....
Boral	5.25	+0.06
Bougainville	1.68	−0.01
Brambles Inds.	3.7	+0.06
Bridge Oil	2.25	−0.02
B.H. Prop	5.1	−0.06
CRA	4.25	−0.08
CSR	2.88	−0.08
Carlton Utd	4.50	.....
Castlemaine Tys.	4.35	+0.05
Coles (G.J.)	3.96	−0.02
Comalco "A"	2.05	−0.05
Consolidated Pet	0.47	−0.01
Costain Aust	1.5	.....
Dunlop Aust.	2	+0.04
Elders IXL	5.07xc	−0.01
Energ. Res.	1.41	+0.01

AUSTRALIA (continued)

Jan. 15	Price Aust. $	+ or −
Gen Prop Trust	2.11	−0.01
Hardie (James)	3.05	+0.05
Hartogen Energy	2.25	.....
Herald W'yTimes	3.75	+0.05
ICI Aust.	2.08	.....
Kimberiana F.P.	0.3	.....
Kia Ora Gold	0.1	−0.01
Lend Lease	6.26	−0.04
MIM	2.58	−0.02
Mayne Nickless	2.98	−0.01
Myer Emporium	1.78	.....
Nat. Aust. Bank	3.52	−0.04
News	10.9	.....
Nicholas Kiwi	5.18	.....
North Bkn Hill	2.03	+0.01
Oakbridge	0.66	+0.01
Pancont'l	0.95	+0.01
Pioneer Conc.	1.7	+0.01
Poseidon	2.75	+0.05
Queensland Coal	1.11	−0.02
Reckitt & Coln.	3.1	−0.08
Repco	1.15	+0.01
Santos	6.26	−0.04
Smith (Howard)	3.5	+0.05
Thos. Natwide	1.85	+0.04
Tooth	6.8	.....
Vamgas	3.06	.....
Western Mining	2.68	−0.08
Westpac Bank	3.4xr	−0.05
Woodside Petrol.	0.9	−0.02
Woolworths	2.67	+0.02
Wormald Intl.	3.18	−0.02

HONG KONG

Jan. 15	Price H.K.$	+ or −
Bank East Asia	85.0	−0.4
Cheung Kong	12.2	−0.3
China Light	14.7	−0.1
Evergo	1.45	−0.02
Hang Seng Bank	47.5	−0.25
HK Electric	7.5	.....
HK Kowloon Wh.	5.7	−0.15
HK Land	4.3	−0.2
HK Shanghai Bk.	9.0	−0.05
HK Telephone	67.0	−1.5
Hutchison Wpa.	18.9	−0.6
Jardine Math.	9.8	−0.5
New World Dev.	6.2	−0.05
Orient O'seas	2.75	.....
Oseas Trust Bk.	2.25	−0.05
SHK Props	8.8	−0.1
Shell Elect.	2.05	+0.05
Swire Pac A	23.8	+0.2
TV—B	5.8	−0.2
Wheel'k Mard A.	4.2	−0.02
Wheel'k M'time	1.1	−0.03
World Int. Hldgs.	1.94	−0.02

JAPAN

Jan. 14	Price Yen	+ or −
Ajinomoto	1,110	−20
Alps Electric	2,040	+20
Amada	1,170	−30
Asahi Chem	715	+5
Asahi Glass	917	+12
Bridgestone	640	−4
Canon	1,400	−10
Casio Comp.	1,840	.....
Chugai Pharm	1,060	+10
Citizen	679	+17
Daiei	626	.....
Dai Nippon Ptg	280	−1
Daiwa House	666	−14
Ebara	329	−4
Eisai	1,440	.....
Fanuc	11,100	−150
Fuji Bank	1,310	.....
Fuji Film	1,700	−10
Fujisawa	1,050	−20
Fujitsu	1,560	−40
Green Cross	1,730	+50
Hasegawa	367	+2
Heiwa Real Est	653	.....
Hitachi	870	−10
Hitachi Credit	1,160	−30
Honda	1,280	−10
House Food	720	+20
Hoya	2,160	−10
Itoh (C)	366	−10
Ito. Yokado	2,580	+10
Iwatsu	1,450	+50
JACCS	355	+2
JAL	6,350	−50
Jusco	736	−2
Kajima	281	−2
Kao Soap	853	−2
Kashiyama	618	+3
Kirin	672	+12
Kokuyo	270	−17
Komatsu	479	+8
Konishiroku	702	+39
Kubota	335	+13
Kumagai	524	+10
Kyoto Ceramic	6,850	+40
Maeda Const.	475	+2
Makino Milling	1,230	+30
Makita	1,040	−10
Marubeni	320	−2
Marudai	670	.....
Marui	1,080	+10
MEI	1,570	−30
M'ta Elec Works	631	−28
M'bishi Bank	1,380	.....
M'bishi	567	−6
M'bishi Elec	407	+2
M'bishi Estate	886	+4

JAPAN (continued)

Jan. 14	Price Yen	+ or −
MHI	253	−1
Mitsui Co	350	+2
Mitsui Estate	710	.....
Mitsukoshi	389	−1
NGK Insulators	551	−9
Nihon Cement	217	.....
Nippon Denso	1,340	.....
Nippon Elect	1,220	−20
Nippon Express	345	−5
Nippon Gakki	1,470	.....
Nippon Kokan	139	+1
Nippon Oil	865	−5
Nippon Seiko	667	+7
Nippon Shimpan	598	−14
Nippon Steel	153	.....
Nippon Suisan	340	+2
NTV	13,000	−400
Nippon Yusen	259	−3
Nissan Motor	602	−9
Nisshin Flour	475	.....
Nisshin Steel	174	−1
Nomura	949	+12
Olympus	1,190	−20
Orient Leasing	3,300	.....
Pioneer	2,810	−20
Renown	636	−4
Ricoh	968	+1
Sankyo	978	−38
Sanyo Elect.	465	−3
Sapporo	411	+4
Sekisui Prefab	556	−1
Seven-Eleven	8,900	−100
Sharp	1,080	−20
Shimadzu	821	−18
Shionogi	690	−4
Shiseido	1,130	.....
Sony	3,790	−90
Stanley	870	−16
S'tomo Bank	1,750	.....
S'tomo Elect.	942	+6
S'tomo Marine	542	+15
S'tomo Metal	151	−1
Taihei Dengyo	600	.....
Taisei Corp	200	.....
Taisho Pharm	1,030	+30
Takeda	779	−6
TDK	6,250	+50
Teijin	463	+4
Teikoku	685	+15
Tokyo Marine	765	.....
TBS	838	−3
Tokyo Elect Pwr	1,670	−10
Tokyo Gas	179	.....
Tokyo Sanyo	734	−4
Tokyo Style	722	−8
Tokyu Corp	317	+1
Toppan Print	681	+11
Toray	452	.....
Toshiba Elect	425	−10
TOTO	750	−4
Toyo Seikan	830	−10
Toyota Motor	1,260	+10
Victor	2,050	−30
Wacoal	734	+3
Yamaha	695	−5
Yamanouchi	2,750	−10
Yamazaki	670	−25
Yasuda Fire	535	.....
Yokogawa Bdge	444	−1

SINGAPORE

Jan. 16	Price $	+ or −
Boustead Hldgs	1.51	−0.03
Cold Storage	2.52	−0.01
DBS	6.15va	−0.05
Genting	4.74	.....
Haw Par. Bros.	1.94	−0.01
Hong Leong Fin	2.91	−0.05
Inchcape Bhd.	2.45	−0.05
Keppel Shipyard	1.44	.....
Malay Banking	6.4	.....
Malay Utd. Ind	6.25	−0.07
Multi Purpose	0.9	−0.05
OCBC	8.75	.....
OUB	3.74	−0.08
Public Bank	1.64	−0.01
Sime Darby	1.68	−0.01
Singapore Press	8	+0.1
Straits Trdg	4.28	−0.02
Tai Lee Bk	2.77	−0.03
UOB	4.14	−0.02

SOUTH AFRICA

Jan. 15	Price Rand	+ or −
Abercom	1.15	.....
AE&CI	7.55	.....
Anglo Am Coal	41	+1
Anglo Am Corp	25.25	+0.5
Anglo Am Gold	184.5	+3.5
Barclays Bank	15.25	.....
Barlow Rand	10.45	+0.25
Buffels	74.6	+1.75
CNA Gallo	2	.....
Currie Finance	4.15	−0.05
De Beers	8.8	+0.1
Driefontein	54.5	+0.5
FS Geduld	50.5	+1
Gold Fields SA	28	+0.5
Highveld Steel	4	+0.15
Nedbank	11.1	.....
OK Bazaars	14	+0.1
Protea Hldgs	1.4	.....
Rembrandt	30.5	+0.6
Rennies	12.98	+0.08
Rust Plat	16.85	+0.05
Sage Hldgs	6.2	.....
SA Brews	6.56	.....
Smith (CG)	21.75	+0.25
Tongaat Hulett	6.3	−0.2
Unisec	4.5	−0.1

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices January 15

Sales	Stock	High	Low	Close	Chng
405	Abti Price	$33	33	33	−½
9200	Agnico E	$12¼	12	12¼	+¼
2600	Agra Ind A	$6	6⅝	6	+½
7823	All Energy	$18⅞	18¼	18¼	
43650	Alta Nat	$15	14	14¼	
1970	Algoma St	$18⅞	18½	18⅝	+⅛
350	Andrs WA I	$23¼	23	23¼	+¼
710	Argcen	$17⅛	17⅛	17⅛	+⅛
339	Argus C pr	$11	11	11	
108	Asbestos	455	455	455	
2450	Atco I I	$7⅝	7¼	7⅝	+⅛
11200	BP Canada	$25½	25¼	25¼	
15515	Bank BC	$6¼	6⅛	6¼	
51247	Bank N S	$13¾	13⅛	13½	+⅛
5700	Barrick o	155	150	150	−4
6765	Bonanza R	395	385	385	−10
300	Bralorne	$5	5	5	
2400	Bramalea	$16½	16¼	16½	+¼
1300	Brenda M	$9	9	9	+¼
13995	BCFP	$11½	11⅛	11¼	−⅛
37860	BC Res	262	256	257	−2
58100	BC Phone	$22¼	21⅞	21⅞	
4300	Brunswk	$13⅛	13	13	−⅛
5550	Budd Can	$15½	15¼	15½	
12440	CAE	$15⅛	15	15⅛	+⅛
3700	CCL A	$25¼	24¼	25¼	+1
6000	CDistb B f	$5⅝	5⅝	5⅝	−⅛
2300	Cad Frv	$15	14⅝	14⅞	+⅛
2828	C Nor West	$22¼	21⅞	22	+½
950	C Packrs	$28½	28	28½	+½
2700	Can Trust	$31	30¾	30¾	
36074	C I Bk Com	$30⅞	30	30	
15500	Can Nat Res	24	17½	24	+7
97256	CTire A f	$9⅞	9¼	9⅞	+⅛
418	C Util B	$17	17	17	
11300	Cara	$12	11¼	11¼	−⅛
5776	Celanese	$7⅝	6⅞	6⅞	−¼
410	C Distb A	$5⅝	5⅛	5⅛	−⅛
6000	CDistb B f	$5⅝	5⅝	5⅝	−⅛
2550	CTL Bank	$9⅞	9⅞	9⅞	
100	Conventrs	375	375	375	+25
700	Conwest A	$7⅛	7⅛	7⅛	−⅛
1200	Coseka R	275	272	272	+2
600	Canron A	$11¼	11¼	11¼	−⅛
430	Crownx	$15½	15⅜	15⅜	+⅛
33150	Czar Res	133	130	130	−7
28729	Daon Dev	245	236	240	+8
7975	Denison A	$16¼	15⅞	16	
30850	Denison B f	$14⅝	14½	14½	−⅛
3000	Develcon	$8⅞	8¾	8⅞	
1400	Dicknsn A f	440	440	440	−5
300	Dicknsn B	455	455	455	
10454	Doman A	300	285	285	−5
3300	Dofasco A	$24⅛	24⅛	24⅛	+¼
1050	Du Pont A	$17	16½	16⅞	+⅛
26700	Dylex A	$28¼	27¾	28¼	−⅛
2012	Elcthom X	440	435	440	+15
400	Emco	$16	16	16	−½
2400	Equity Svr	$6¼	6¼	6¼	−¼
2500	FCA Intl	$18⅞	18⅛	18½	+⅛
16440	C Falcon C	$14½	14⅛	14½	+½
25830	Fcnbrdge	$83½	82	83½	+1¼
1100	Fed Ind A	$19½	19½	19½	
400	Fed Pion	$20¾	20¾	20¾	
1100	F City Fin	$12	11½	11½	−¼
1511	Fraser	$18¼	17¾	18	
20	Genstr A	$23⅞	23⅞	23⅞	−½
2100	Geac Comp	$11⅞	11⅛	11¼	+⅛
6130	Geocrude	208	204	204	−1
3700	Gibraltar	$8¼	8¼	8¼	+⅛
28700	Goldcorp f	$5½	5⅛	5¼	
400	Goodyear	$38	37¾	37¾	+¼
3300	Grandma	47	47	47	−3
2000	Granduc	43	43	43	
3200	GL Forest	$82	81	81	−1
700	Greyhnd	$25¼	25	25	
7500	Hrding A f	155	145	145	
2800	Hawker	$17⅞	17¼	17⅞	+½
952	Hayes D	$20⅞	20⅝	20⅞	−⅛
393	H Bay Co	$17¼	17¼	17¼	
44194	Imasco	$48¼	48	48	+¼
200	Indal	$11⅞	11⅞	11⅞	+⅛
60	Inland Gas	$14⅞	14⅞	14⅞	−½
11600	Inter Pipe	$35¼	34¾	34¾	+⅛
100	Ivaco B	$16¼	16⅛	16⅛	+⅛
3006	Jannock	$11	11	11	
350	Kam Kotia	100	100	100	−3
2100	Kelsey H	$34	33½	34	+¼
907	Kerr Add	$15½	15½	15½	+⅛
38877	Labatt	$22¼	21⅞	21⅞	
7640	Lac Mnrls	$26⅛	26	26	+¼
700	LOnt Cem	$10	10	10	
3700	Lacana	$10⅛	10	10⅛	+⅛
100	LL Lac	$28	28	28	+½
1600	Loblaw Co	$18½	18¼	18¼	−¼
28200	MICC	260	250	250	−25
2150	Mclan H X	$23½	23¼	23½	+¼
2352	Merland E	460	445	455	+5
1222	Molson A f	$16½	16¼	16⅜	−⅛
1100	Molson B	$16⅛	16¼	16⅛	+⅛
5900	Nabisco L	$24⅞	24½	24⅝	−¼
41021	Noranda	$17¾	17½	17½	−⅛
22013	Norcen	$15½	15¼	15¼	−⅛
59250	Nva AltA f	$7⅛	7⅛	7⅛	−⅛
9469	Nowsco W	$19¼	18⅝	19¼	+⅛
35300	NuWst sp A	50	47	48	−2
2190	Oshawa A f	$23½	23⅛	23⅛	−⅛
400	Pamour	465	450	465	+15
3300	PanCan P	$25⅞	25⅝	25⅞	+⅛
4500	Pembina	$17⅛	17½	17⅞	
500	Phonx Oil	$7½	7½	7½	
2700	Pine Point	$23	23	23	
4000	Place GO o	105	102	105	+5
30600	Placer	$21¼	21½	21⅛	−⅛
200	Provigo	$18½	18⅛	18⅛	
2100	Que Sturg o	385	385	385	−5
500	Ram Pet	$5⅛	5½	5⅛	+¼
5200	Rayrock f	$6	6	6	
15113	Redpath	$32¼	32	32¼	
77697	Rd Stenhs A	$18⅞	18⅛	18⅞	−⅛
2614	Reichhold	$9	8¾	8¾	−¼
600	Res Serv f	170	170	170	+5
600	Revn Prp A	122	115	122	+9
1600	Rogers A	$8	7¾	7⅞	+¼
26800	Roman	$12¼	12	12	−½
22900	Sceptre	$5⅛	5	5	−⅛
300	Scotts f	$17⅞	17⅞	17⅛	−⅛
1200	Sears Can	$7⅛	7⅛	7⅞	+⅛
14850	Shell Can	$22½	21¼	21¼	−⅛
8217	Sherritt	$7⅛	7	7	−⅛
125	Slater B f	$9¼	9¼	9¼	
12500	Southm	$52½	52¼	52¼	−⅛
300	St Broadcst	$12⅛	12⅛	12⅛	
40739	Stelco A	$21¼	21	21¼	+¼
1700	Sulpetro	260	255	260	
1500	Steep R	220	220	220	
8000	Sydney o	30	28	30	+2
500	Talcorp	76	76	76	+5
500	Tara	$15⅞	15¾	15⅞	
3400	Teck Cor A	$9¾	9¾	9¾	
40040	Teck B f	$10½	10¼	10½	+⅛
1700	Tex Can	$34⅛	34	34⅛	−⅛
14110	Thom N A	$50	49½	50	+⅛
19691	Tor Dm Bk	$18½	18	18¼	+⅛
4800	Torstar B f	$16⅞	16¼	16⅜	−⅛
2630	Traders A f	$21½	21	21½	
900	Trns Mt	$7¼	7¼	7¼	
800	Trinity Res	470	465	465	+10
8395	TrnAlta UA	$23⅞	23⅝	23⅝	
19247	TrCan PL	$21⅝	21⅛	21½	
27128	Trimac	420	410	410	−5
225	Trizec A f	$22¼	22¼	22¼	−⅛
4500	Turbo f	27½	25	25	−2½
62	Unicorp A f	$8	7⅞	8	+⅛
200	Un Carbid	$10⅞	10⅞	10⅞	
23014	U Entprse	$12¼	12½	12⅛	+⅛
100	U Keno	$9¼	9¼	9¼	−⅛
1100	U Siscoe	127	120	120	
33475	Versil A f	$6¼	6¼	6¼	−⅛
1000	Vestgron	$10½	10½	10½	+⅛
3700	Wcstcwd	$16	15⅞	16	+¼
2200	Westmn	$11¼	11½	11½	−⅛
100	Westrnse	$52	52	52	
675	Weston	$75½	75¼	75⅛	+⅛
1857	Woodwd A	$10⅞	10⅝	10⅝	

Total sales: 11,172,491 shares

MONTREAL

Closing prices January 15

Sales	Stock	High	Low	Close	Chng
68677	§Bank Mont	$26⅞	26⅝	26⅞	
21013	§DomTxtA	$13	12⅝	12¾	−¼
1310	§MntT	$12⅞	12	12	
13623	NatBk Cda	$15	14⅞	14⅞	+¼
2810	§Powe Corp	$28½	28⅛		
1200	§Roll	$14⅞	14⅝	14⅝	
44295	§Royal Bank	$30⅞	30	30⅞	
2056	§RoyT	$17¼	17	17¼	

Total sales 2,256,372 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
Tr 11% 88	£ 99¾	+⅜
Tr 11¾ 01/04	£107¾	+½
Allen (W.G.)	37	+13
Allied-Lyons	163	+10
Ass Brit Ports	208	+9
Ass Newspapers	568	+60
Blue Arrow	173	+28
B. McDonnell	254	+15
Britoil	193	+5
Burton	444	+11
Com. Union	260	+6
Fleet Hldgs	224	+14
Foseco Minsep	214	+10
Hogg Robinson	250	+16
LCP	119	+7
LASMO	345	+20
Lucas Inds	257	+11
Mag&Southerns	112	+8
Pearson	618	+18
Pineapple Dance	71	+9
Racal Elect	276	+6
Rug. P. Cement	139	+12
Shell Transport	670	+17
Sumrie Clothes	82	+15
Tate & Lyle	462	+12
Trusthouse Forte	158	+6
Waring & Gillow	130	+11
FALLS		
Tr 2% I.L. 20	£91	−£½
Rowntree Mack	365	−7
Utd Newspapers	305	−15

Continued on Page 38

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

NEW YORK CLOSING PRICES

Continued from Page 29

LONDON STOCK EXCHANGE

MARKET REPORT

Recovery becomes pronounced in late trade and equity index rebounds 12.5

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Dec 24	Jan 10	Jan 11	Jan 21
Jan 14	Jan 24	Jan 25	Feb 4
Jan 28	Feb 7	Feb 8	Feb 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Confidence slowly returned to London yesterday as foreign exchange markets calmed after Mondays confusion and sterling began to show some sign of the desired response to higher interest rates. The late upturn in the rate against the dollar was especially welcome for it turned a fragile recovery in bond and share values into a more substantial movement, which strengthened further in the after-hours' trade.

News of a softening in short-term U.S. interest rates coupled with more Prime lending rate reductions to 10½ per cent, factors which caused the dollar's upsurge to falter, contributed to the London scene. American influences, primarily the Dow Jones index sharp improvement overnight had, in fact helped initially repair the damage inflicted recently to share prices.

Investors adopted a cautious approach during the early business and the recovery reflected little more than professional bear covering after the previous sharp two-day fall. Later, however, both institutional operators and private clients became more venturesome, encouraged by renewed firmness on Wall Street. The upshot was that many blue chip industrials enlarged small price improvements to close several pence higher. Illustrating this trend, the FT Ordinary share index more than doubled a 3.00 pm gain of 6.1 to close a net 12.5 up at 961.8.

Situation stocks claimed more attention and turnover expanded in many recognised takeover candidates. Early excitement centred on British Aerospace which were suspended soon after the start, pending an announcement. This was made shortly after 3.30 pm and confirmed earlier speculation that the Government is to sell its remaining 48.4 per cent holding either in the spring or early summer. The group plans to make an offer of new shares at the same time.

Government securities rallied strongly after showing opening losses of ½ to settle that much higher on the day. In this area, too, investors showed some reluctance before warming to both sterling's rally and a late reaction in UK money market rates. The key three-month interbank rate touched 12¼ per cent but slipped back late to around 12⅛ per cent. Prospects for the new tap, Exchequer 10½ per cent 2005, improved to the extent that some traders were forecasting a bright debut when dealings begin this morning.

Insurances were notable for a fresh speculative surge in Lloyds broker, Hogg Robinson. Stimulated last week by the announcement that *Aitken Hume* had sold its 5.1 per cent stake in the company, Hogg yesterday responded to a good demand on revived takeover hopes and closed 10 to the good at 250p; the two remaining substantial shareholders in the group are the Kuwait Investment Office, with 11.3 per cent of the equity, and Mills and Allen International, with nearly 8 per cent. Meanwhile, Commercial Union, the other perennial bid candidate, moved up 6 to 200p amid renewed suggestions that its loss-making U.S. interests had been sold.

Calmer conditions returned to the major clearing banks. Trade was slow, however, and the closing trend mixed. Elsewhere, Charterhouse J. Rothschild retrieved 3 at 109p on further consideration of the sale of its Charterhouse Japhet merchant banking arm and some associated development companies to Royal Bank of Scotland; the latter eased a couple of pence more to 226p.

Breweries soon shook off Monday's depression and displayed moderate rises across the board. Allied-Lyons, dull of late following widespread disappointment with the reorganisation of its brewing operations, rallied 10 to 163p following a broker's lunch; sentiment was also buoyed by news that the company is to raise short-term finance by entering the U.S. commercial paper market. Bass rose 10 to 490p, while Whitbread "A" hardened a few pence to 216p. Arthur Guinness revealed preliminary profits at the top end of market estimates and touched 237p before settling a net 4 up at 233p. Matthew Brown fell 10 to 285p amid thoughts that Whitbreads disclosure of a 5.04 per cent stake will discourage predators. Elsewhere, H. P. Bulmer, out of favour recently, spurted 17 to 147p following a flurry of small buying.

In the Building sector, the spotlight fell on Rugby Portland Cement which attracted sustained buying on speculation about the possible sale of its Australian interests and touched 140p prior to closing a net 12 up at 139p. Other leading issues drifted lower in the absence of support before staging a late rally to close virtually unchanged. Costain, however, encountered fresh offerings and shed 6 more to 370p, while George Wimpey softened a couple of pence to 114p. Countryside gave up 10 to 220p despite good annual results and a cautiously optimistic statement. Elsewhere, Ibstock Johnsen found support and rose 6 to 263p, while Magnet and Southerns, a *weak* market recently following disappointing half-yearly figures, rallied 8 to 112p.

ICI fluctuated narrowly prior to closing 2 dearer at its 1984-85 peak of 758p. Among other *Chemicals, speculative counter* Arrow continued to trade actively and reacted to 66p on the appearance of a sizeable seller before *rallying strongly* on keen buying to close just a penny cheaper on balance at 71p. Coalite settled 3 cheaper at 226p, after 224p, following a put-through of 1¼m shares around the 220p level.

Burton pleases

Leading Retailers recovered a certain amount of composure. The encouraging trend in consumer spending, as shown by December's retail sales figures, aided sentiment and price recoveries stretched into double-figures. Burton featured with a gain of 11 to 444p following the chairman's bullish statement at the annual meeting, while Gussies "A" rallied 10 to 690p and Woolworth 8 to 601p.

A couple of outstanding features emerged among secondary Stores. Sumrie Clothes *spurted 15* to 82p amid rumours of further buying by Inter-Channel Pharmaceuticals; the latter already holds around 15.5 per cent of Sumrie. Waring and Gillow, shrouded by takeover speculation recently, rose another 11 to 130p. Further consideration of the full-year results lifted Body Shop 15 to 485p, while Henry Wigfall hardened a few pence to 120p following the reduced interim deficit.

Electrical leaders staged a *modest recovery. Racal at 278p*, recorded an above-average gain of 6 following demand ahead of the interim results scheduled for next Wednesday. BICC improved a few pence to 253p, while British Telecom hardened 1½ to 119½p. Elsewhere, BSR improved 3 to 158p and Crystalate firmed 4 to 212p. First Castle Securities, however, eased to 104p before closing a penny lower on balance at 107p on the proposed £5.1m rights issue. AB Electronic dropped 10 more at 497p and International Signal and Control relinquished a further 6 to 292p.

Leading Engineers followed the firm late trend with GKN, 197p, TI, 238p, and Vickers, 221p, all closing a few pence dearer. Babcock were also *helped* by late interest and finished 6 to the good at 152p. News of the bid approach lifted W. G. Allen 13 to 37p, while Bromsgrove Castings responded to the interim figures and proposed scrip issue with a rise of 4 to 82p. Revived support left B. Elliott 4 to the good at 65p and Davy Corporation improved a like amount to 87p ahead of tomorrow's half-year statement.

The reappearance of buyers enabled leading Foods to stage a rally. Tate and Lyle attracted support on revived talk of a bid from Dalgety and the close was 12 up at a 1984-85 peak of 482p. S. and W. Berisford firmed 4 to 183p ahead of tomorrow's annual results. Among Retailers, Associated Dairies improved 4 to 154p, as did J. Sainsbury, to 290p. Elsewhere, Associated Fisheries rose 5 to 96p and Sidney C. Banks gained the same amount to 220p, the latter following satisfactory interim figures.

Trusthouse Forte revived strongly in front of today's *annual results and the close* was 9 higher at 158p.

Booker feature

The miscellaneous industrial leaders traded rather cautiously until the late dealings when *quotations trended higher*. Hanson Trust rose at 328p for a gain of 6 on the day, while BTR ended 5 dearer at 595p. Boots closed 4 to the good at 186p, but Metal Box unsettled by a downward revision in a broker's profits estimates, finished 8 lower at 382p, after 380p. Elsewhere, Booker McConnell featured a rise of 13 to 254p amid talk that a broker's circular highlighting the group's asset value is in the offing; the Monopolies Commission is expected to report on the Dee Corporation's bid shortly. Comment on the preliminary figures directed buying attention to Blue Arrow, which closed 28 up at the day's best of 173p. Demand revived for Foseco, 10 to the good at 214p, while speculative buying persisted for LCP which ended a shade below the best at 119p, up 7. Late support lifted Johnson Matthey 5 to 68p, Associated British Ports 9 to 208p and Steetley 6 to 317p.

Pineapple Dance Studios, a depressed market on Monday following suggestions of a slump in *business, found support* at the lower level and rallied 9 to 71p. Among other Leisure issues, renewed buying lifted USM-quoted Television Services 11 to 186p.

Lucas Industries responded to revived speculative demand and improved 11 to 257p; once again U.S. engineering concerns were deemed as likely suitors. Elsewhere in Motors, Jaguar remained lively and rose a few pence to 275p.

Publishers enjoyed an active session. Business was given an early boost as United Newspapers acquired Pergamon Press' 15.76 per cent stake in Fleet Holdings for around £30.6m; the *purchase*, at 230p per share, lifted United's holding in Fleet to 18.25 per cent. United eased 15 to 305p, after 300p, but Fleet, a *perennial* takeover favourite, advanced 14 to 224p. Elsewhere, further consideration of last Friday's bumper preliminary results prompted increased demand for Associated Newspapers, 60 up at 588p, and Daily Mail A, ½ better at £10. Pearson rose 18 in sympathy to 618p.

Properties gave a steadier performance and the leaders closed *a shade* dearer in places as buyers reappeared after-hours. Land Securities edged up a couple of pence to 292p, as did *MEPC*, to 304p. *Hammerson A* rallied 5 to 490p and Peachey improved 2 at 238p. Samuel, however, encountered fresh selling and slipped to 142p prior to closing 2 cheaper on balance at 143p.

P & O Deferred and Sterling Guarantee Trust continued to trade actively in the wake of the agreed merger terms; the former, which had jumped 55 on its return from suspension on Monday, closed a couple of pence easier yesterday at 378p, while the latter softened a penny to 71p. Elsewhere in Shippings, Milford Docks featured with a fresh speculative gain of 6 to 47p.

Lasmo advance

Sizeable American buying interest coupled with another firm showing by crude oil spot markets and gas oil futures gave a major boost to the oil majors, which improved throughout the day before closing a fraction off their best levels.

Shell were a firm market and touched 673p prior to ending the day a net 17 higher at 670p. Royal Dutch added ¾ more at a year's best of £44⅛ and BP 6 at 480p. Similar gains were recorded by Britoil, 193p, Enterprise, 182p and Tricentrol, 183p.

A heavy turnover was reported in LASMO which jumped 20 to 345p on talk of a commercial oil find off the coast of Sicily.

Among second-line issues Clyde Petroleum continued their recent advance and settled a further 5 better at 108p, while Falcon Resources initially dipped to 274p before recovering to close a net 7 higher at 287p.

Golds down again

Mild disappointment with bullion's reaction to the latest round *of U.S. prime rate cuts and another* sudden deterioration in the Rand rate against the U.S. currency left South African *Golds showing further losses*.

The latter opened modestly easier in quiet trading but came under substantial selling pressure from Cape operators in mid-morning as the Rand dropped sharply against the dollar. A subsequent and equally sharp rally in the South African currency prompted rumours of imminent moves by the South African authorities to stem the decline in the Rand—including the possible re-introduction of exchange controls—and share prices staged a modest recovery. At the close most issues were well above the day's lows but remained below Monday's closing levels.

The Gold Mines index showed a further 3.7 decline at 460.1—a two-day fall of 14.1, while bullion settled a net 75 cents up at $302.75 an ounce.

Financials showed minimal changes in either direction. UK stocks were highlighted by Rio Tinto-Zinc which fell away to around 582p early on before rallying to close only 4 cheaper at 588p.

Contracts struck in Traded Options amounted to 10,987—comprising 7,010 calls and 3,977 puts. British Telecom attracted 1,285 calls and 687 puts. GEC and Commercial Union recorded 733 and 953 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Jan. 16	Jan. 14	Jan. 11	Jan. 10	Jan. 9	Jan. 2	year ago
Government Secs.	79.97	79.91	80.93	81.55	81.83	81.49	83.27
Fixed Interest	85.90	84.12	85.17	85.56	85.52	85.92	87.12
Ordinary	961.8	949.6	968.3	982.4	983.1	971.2	807.1
Gold Mines	460.1	463.8	474.9	462.7	431.5	455.2	520.2
Ord. Div. Yield	4.50	4.55	4.47	4.43	4.41	4.46	4.42
Earnings, Yld.% (full)	11.30	11.50	11.32	11.26	11.21	11.33	9.22
P/E Ratio (net) (*)	10.58	10.42	†10.69	10.68	10.71	10.60	13.25
Total bargains (Est.)	29,073	32,770	34,670	38,066	35,156	25,657	25,007
Equity turnover £m.	—	615.41	658.25	605.07	640.10	500.45	516.52
Equity bargains	—	29,623	32,982	33,438	28,331	25,750	23,149
Shares traded (ml)	—	256.6	300.0	331.5	309.2	266.4	212.6

10 am 952.8. 11 am 953.9. Noon 953.0. 1 pm 953.5.
2 pm 954.1. 3 pm 955.4.
Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
*Nil=10.24.
† Corrected.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (6/1/84)	73.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	983.1 (9/1/85)	700.3 (23/7/84)	983.1 (9/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (3/3/84)	445.5 (7/1/85)	754.7 (15/2/83)	43.0 (26/10/71)

S.E. ACTIVITY

	Jan. 14	Jan. 11
Daily		
Gilt Edged Bargains	195.7	158.1
Equities Bargains	121.9	213.3
Value	1041.8	1129.8
5-day Average		
Gilt Edged Bargains	165.4	160.6
Equities Bargains	194.6	186.0
Value	1142.2	1077.9

NEW HIGHS AND LOWS FOR 1984/85

NEW HIGHS (160)

AMERICANS (54)
CANADIANS (4)
BANKS (2)
BUILDINGS (3)
CHEMICALS (2)
STORES (1)
ENGINEERING (7)
FOODS (8)
HOTELS (1)
INDUSTRIALS (17)
INSURANCE (11)
LEISURE (2)
NEWSPAPERS (4)
PAPER (2)
PROPERTY (5)
SHIPPING (1)
SHOES (1)
TRUSTS (26)
OILS (2)
OVERSEAS TRADERS (1)
PLANTATIONS (4)
MINES (1)

NEW LOWS (26)

LOANS (4)
Nationwide Bldg. Soc. 10⅝pc 27/8/05; Nationwide Bldg. Soc. 11pc 14/10/05; Do. 11⅛pc 9.9/85; Do. 10⅝pc 11/11/05
CHEMICALS (1)
Mebon
ELECTRICALS (2)
Multitone Elects., Real Time Control
FOODS (1)
Sutherland (E. T.)
INDUSTRIALS (4)
Anglo-African Fin., Continuous Stationery, Bardsey, Ovenstone Invs.
PROPERTY (1)
Edmond Hldgs.
SHIPPING (1)
Lyle Shipping
SOUTH AFRICANS (5)
Abercom, New Klein Props., Anglo Amer. Ind., SA Brews., Barlow Rand
TEXTILES (1)
Lister
TRUSTS (1)
FUGIT
OILS (1)
Carless Capel
OVERSEAS TRADERS (1)
Boustead
MINES (3)
Seltfontein, Unisel, Ural. Goldfields

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	16	22
Corpns. Dom. and Foreign Bonds	3	39	28
Industrials	294	280	890
Financial and Props.	167	78	289
Oils	25	15	80
Plantations	5	3	9
Mines	33	50	95
Others	117	32	63
Totals	712	489	1,486

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Jan 15 1985 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Jan 14 Index No.	Fri Jan 11 Index No.	Thur Jan 10 Index No.	Wed Jan 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	550.67	+0.4	9.66	3.90	12.98	548.62	562.11	567.85	569.83	492.47
2	Building Materials (25)	490.98	+0.6	13.07	5.07	9.48	488.07	502.66	508.34	508.26	467.23
3	Contracting, Construction (30)	724.16	−0.6	13.38	5.42	9.59	728.31	747.12	753.12	749.95	730.56
4	Electricals (15)	1638.99	+0.5	9.89	4.35	12.77	1630.62	1664.75	1689.39	1661.39	1764.57
5	Electronics (36)	1899.66	+0.3	7.73	2.56	16.71	1894.88	1941.38	1963.38	1977.60	1731.33
6	Mechanical Engineering (60)	281.52	+0.1	11.94	5.16	9.98	281.15	284.93	287.82	285.75	227.16
8	Metals and Metal Forming (8)	166.28	+0.7	13.66	7.88	9.04	165.08	168.67	174.31	174.21	191.18
9	Motors (18)	148.49	+1.1	11.79	5.09	—	146.93	150.23	152.12	152.59	131.83
10	Other Industrial Materials (17)	835.30	+0.7	6.85	3.21	20.64	829.19	855.60	860.19	864.61	627.56
21	CONSUMER GROUP (179)	616.01	+1.0	9.40	3.84	12.86	609.86	626.98	636.08	634.82	484.64
22	Brewers and Distillers (23)	562.68	+1.8	12.81	4.74	10.26	552.67	570.10	578.82	586.20	458.46
25	Food Manufacturing (20)	489.86	+0.5	11.98	4.71	10.44	487.36	495.43	500.08	495.15	398.96
26	Food Retailing (12)	1418.54	+1.0	6.75	2.49	19.74	1403.90	1408.72	1460.44	1438.81	1184.59
27	Health and Household Products (9)	991.79	+0.2	5.81	2.46	20.20	989.77	1008.58	1025.12	1028.00	755.80
29	Leisure (23)	693.94	+1.4	7.72	4.56	16.81	684.53	700.12	713.20	715.06	626.69
32	Newspapers, Publishing (13)	1548.11	+2.3	7.45	4.76	17.37	1512.76	1529.28	1534.88	1516.32	1154.63
33	Packaging and Paper (14)	296.07	+0.2	12.49	4.89	9.32	295.35	299.24	304.03	302.19	227.83
34	Stores (45)	538.35	+1.3	7.47	3.45	16.19	531.48	555.10	568.78	564.65	442.30
35	Textiles (19)	315.84	+1.3	12.62	4.43	9.13	311.91	316.11	320.49	319.31	282.45
36	Tobaccos (3)	916.68	+0.7	13.68	4.19	8.15	910.28	936.64	943.94	941.01	578.30
41	OTHER GROUPS (97)	639.74	+0.7	9.24	4.08	13.73	635.51	639.96	642.09	635.60	436.40
42	Chemicals (17)	741.09	+0.5	12.11	4.40	10.54	739.76	744.72	741.61	740.99	636.83
44	Office Equipment (4)	160.42	−0.1	7.85	4.79	16.11	160.57	162.90	166.21	164.52	119.91
45	Shipping and Transport (13)	1052.49	—	8.22	4.63	15.55	1052.66	1087.89	1028.45	1008.22	820.64
46	Miscellaneous (61)	819.27	+1.1	7.95	3.39	15.28	810.62	821.96	824.78	821.66	564.30
48	Telephone Networks (2)	756.92	+0.7	8.84	4.25	14.75	751.38	757.88	762.61	747.30	0.0
49	INDUSTRIAL GROUP (483)	614.49	+0.7	9.43	3.98	13.11	609.95	623.17	630.05	627.87	485.88
51	Oils (17)	1069.76	+2.8	16.30	7.82	7.59	1040.79	1064.33	1071.65	1073.35	959.41
59	500 SHARE INDEX (500)	652.79	+0.9	10.33	4.33	11.96	646.90	660.36	667.31	665.43	524.70
61	FINANCIAL GROUP (118)	433.94	+0.3	—	5.00	—	432.53	442.04	442.36	443.80	304.42
62	Banks (6)	426.75	—	19.97	6.61	6.34	426.54	439.74	442.78	445.45	396.28
65	Insurance (Life) (9)	587.37	+0.2	—	4.61	—	585.91	599.13	605.76	605.94	527.61
66	Insurance (Composite) (7)	316.17	+0.1	—	5.91	—	315.71	319.06	314.84	313.79	260.98
67	Insurance (Brokers) (6)	1057.72	+1.0	7.20	3.27	19.05	1047.58	1064.79	1073.98	1066.44	674.55
68	Merchant Banks (12)	242.08	+1.2	—	4.45	—	239.24	246.93	241.22	250.68	240.51
69	Property (53)	620.25	+0.3	5.40	3.61	24.31	618.35	630.25	635.18	642.60	540.13
70	Other Financial (25)	275.98	+0.5	9.60	5.62	12.57	274.40	279.87	276.60	273.28	270.52
72	Investment Trusts (105)	578.32	+0.6	—	3.36	—	575.05	588.94	578.42	572.88	509.30
81	Mining Finance (4)	272.06	−0.4	10.06	5.57	11.68	273.17	276.69	275.93	271.22	301.63
91	Overseas Traders (14)	641.20	+0.3	9.14	6.06	13.38	639.07	644.36	646.66	631.72	503.50
99	ALL-SHARE INDEX (741)	594.77	+0.8	—	4.43	—	590.17	602.05	606.91	605.13	491.39
		Index No.	Day's Change	Day's High	Day's Low						
	FT-SE 100 SHARE INDEX	1232.2	+12.7	1233.2	1223.5	—	1220.5	1248.6	1261.0	1259.2	

FIXED INTEREST

	PRICE INDICES	Tues Jan 15	Day's change %	Mon Jan 14	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	116.58	+0.22	116.32	—	0.16
2	5-15 years	126.40	+0.24	126.09	0.31	0.32
3	Over 15 years	133.32	+0.34	132.87	—	0.00
4	Irredeemables	144.53	−0.16	144.76	—	0.00
5	All stocks	125.91	+0.26	125.76	0.15	0.21
6	Debentures & Loans	106.67	−0.16	106.84	—	0.15
7	Preference	76.50	−0.36	76.77	—	0.30
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	107.29	−0.19	107.39	—	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Tues Jan 15	Mon Jan 14	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.09	11.22	9.27
2		15 years	10.84	10.86	10.00
3		25 years	10.32	10.32	9.73
4	Medium Coupons	5 years	11.74	11.83	10.93
5		15 years	11.28	11.26	10.57
6		25 years	10.63	10.65	9.98
7	High Coupons	5 years	11.90	11.94	11.09
8		15 years	11.37	11.40	10.74
9		25 years	10.67	10.72	10.06
10	Irredeemables†		10.20	10.18	9.65
11	Debs & Loans	5 years	12.13	12.10	11.49
12		15 years	12.00	11.97	11.49
13		25 years	11.99	11.97	11.49
14	Preference†		12.93	12.88	12.26
15	Inflation rate	5%	3.53	3.51	3.38
16		10%	3.36	3.34	3.12

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	—	—	—	—	70	28	$303.60
GOLD C	$325	—	—	7.10	7.10	—	—	"
GOLD C	$350	0	0.60	3.40 A	0.30 A	—	—	"
GOLD C	$375	—	—	1.60	1.60	—	—	"
GOLD C	$380	—	—	—	—	10	5	"
GOLD P	$260	10	10	—	—	—	—	"
GOLD P	$300	—	—	11	11	23	12	"
GOLD P	$320	—	—	—	—	21	21.60	"
		Mar.		June		Sept.		
SILVER C	$600	—	—	—	—	30	30	$605
SILVER C	$700	14	10	8	21	27	70	"
SILVER C	$800	—	—	16	2	—	—	"
SILVER P	$600	—	—	5	32	—	—	"
SILVER P	$700	0	110	—	—	—	—	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 52,485

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§10	F.P.	—	13	12	✠B'nnett&Fount'n10p	13	+½	bg0.42	1.8	4.6	15.7
§160	F.P.	18/1	220	176	Candover Inv.	205	......	H1.4	—	1.0	—
‖‖	F.P.	—	96	88	GBC Capital	96	+1	Q2.4	—	1.3	—
‖‖	F.P.	—	24	21	Do. Warrants	64	+2	—	—	—	—
¶¶	F.P.	—	88	81	Hawley Group $0.01	85	......	1.86	5.2	3.1	14.1
—	F.P.	1/2	25	61	Jap.AssetsTstWar'nts	21	−1	—	—	—	—
§62	F.P.	1/2	67	54½	Kingsley&Forester20p	54½	−2	bg3.04	1.9	2.0	8.4
§55	F.P.	6/2	55½	53	✠Optometrics(U.S.A.)	54	+½	Q2c	—	5.9	—
§130	F.P.	25/1	160	150	✠Penny & Giles Intl.	132	+2	bg1.82	6.5	1.7	18.5
92	F.P.	24/1	95	88	ProcessSystems$0.025	88	......	Q0.25c	9.2	0.2	—
132	F.P.	11/1	210	156	Wardin Storeys 10p	210	+2	u5.0	2.7	6.4	12.2
20	F.P.	21/1	25½	20½	Williams (Rex) Lels.5p	21	......	u0.91	1.4	6.2	14.5

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
91.574	£30	10/4	34¼	29⅞	African Dev. Bank 11⅛% Ln. 2010	30	−¼
§100	F.P.	11/1	102½	100	Comm Bk of Wales13½% SubUnn Ln 85-87	101	......
‖	Nil	22/2	16pm	8pm	F. & C. Eurotrust 9¾% Cnv. Ln. '96	16pm	+4
‖100	F.P.	22/2	118ppm	112ppm	FII 7.7% Cnv. Cum. Red. Prf. £1	112ppm	......
§101	£51	15/2	54	52	Felixstowe Dock Prf. Units †	52	
[illegible]							

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −
64	F.P.	8/2	73	69	Bairstow Eves 5p	72	
175	F.P.	[illegible]	216	213	Birmingham Mint	215	
60	Nil	[illegible]	[illegible]	[illegible]	Burgess Prods.	[illegible]	
485	[illegible]	[illegible]	[illegible]	[illegible]	Carlton Comms.	[illegible]	
25	[illegible]	[illegible]	117	[illegible]	Carr's Milling	[illegible]	
60	[illegible]	[illegible]	[illegible]	[illegible]	Durham Mill 25p	[illegible]	
80	[illegible]	[illegible]	180	[illegible]	LCP Hldgs.	[illegible]	
120	[illegible]	[illegible]	333	[illegible]	Marshalls Halifax	[illegible]	
ir.12	[illegible]	[illegible]	[illegible]	[illegible]	Memory Computer 10p	[illegible]	
24	[illegible]	[illegible]	[illegible]	[illegible]	Morris (W.) Fine Arts 20p	[illegible]	
115	[illegible]	[illegible]	143	[illegible]	Notts. Brck.	[illegible]	
266	[illegible]	[illegible]	[illegible]	[illegible]	Pilkington Bros. (£1)	[illegible]	
52	[illegible]	[illegible]	[illegible]	[illegible]	✠Saxons Romans R/V	[illegible]	
6	[illegible]	[illegible]	[illegible]	[illegible]	Tranwood 5p	[illegible]	
17	[illegible]	[illegible]	[illegible]	[illegible]	Warrior (D. & W.) 15p	[illegible]	
280cts	Nil	[illegible]	[illegible]	[illegible]	Westpac $A1	65pm	

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Jan 7	Jan 18	Apr 11	Apr 22
Jan 21	Feb 1	Apr 25	May 7
Feb 4	Feb 15	May 9	May 20

For rate indications see end of Share Information Service

Active conditions prevailed in Options. Calls were taken out in Midland Bank, United Biscuits Warrants, Hongkong and Shanghai Banking, Swire Pacific A, Barratt Developments, Fleet Holdings, Birmid Qualcast, Meekatharra, Jefferson Smurfit, Bristol Oil and Minerals, Burns-Anderson, De Beers Deferred, Arrow Chemicals, Pentos, Normans, Falcon Resources, Burton, Pineapple Dance Studios, John Brown, Fergabrook, Commercial Union, Crystalate, Aran Energy, West Bromwich Spring, LCP, Hollis Brothers and E.S.A. Keep Trust and Ennex. Puts were transacted in Barratt Developments, Gussies A, Beecham and ICI, while double options were struck in Falcon Resources, Aberfoyle, LCP and Bristol Oil and Minerals.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Assoc Newspapers	588	+60
Blue Arrow	173	+28
DRG	158	+4
Fleet Holdings	224	+14
GEC	210	+2
Guinness (A.)	233	+4
Hanson Trust	328	+6
Jaguar	275	+3
LCP	119	+7
Rugby Port Cement	139	+12
Trusthouse Forte	158	+9
United Newspapers	305	−15

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Tues. close	Day's change
P. & O. Defd	38	380	—
Falcon Res	27	280	−10
Sterling G'tee.	22	72	—
Bennett Fntain.	17	12½	—
Burton	17	433	−13
GUS "A"	16	680	−16
Hanson Trust	13	322	−13
Boots	14	182	−9
BP	14	474	−9
Chart. J. Roth.	14	106	−10
HK & Shanghai	14	104	—
Jaguar	14	272	−7
Tarmac	14	498	−16
MFI Furniture	13	247	−14

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
B.P. (*481)	390	96	100	—	1	6	—
	420	65	70	—	1	0	—
	460	60	40	42	4	13	16
	500	5	20	25	28	63	42
	550	1	8	—	72	80	—
Cons. Gold (*474)	460	90	43	60	6	16	96
	600	3	36	33	38	45	50
[illegible]							

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Imperial Gp. (*193)	160	36	32	43	1½	6	4
	180	17	21	20	4	7	11
	200	6	13	19	12	15	19
LASMO (*343)	280	68	—	—	5	—	—
	300	48	60	68	6	10	14
	330	30	40	00	12	20	23
	360	11	35	32	30	38	43
[illegible]							

Jan. 14 Total contracts 10,987. Calls 7,473 Puts 3,977.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
105¼	100¼	Treas. 15pc 1985	100¼	+⅛	[illegible]	11.17
102¼	99⅛	Exch. 12pc Cnv. '85	99⅛	.....	[illegible]	12.16
97¼	93⅛	Treas 3pc 1985	97¼	.....	[illegible]	11.71
102⅝	99½	Treas 11½pc 1985	100⅛xd	+⅛	[illegible]	11.46
99¼	96⅛	Treas 8¼pcCnv '85	98½	+⅛	[illegible]	11.84
104⅛	99⅞	Exch. 12¼pc 1985	100⅛	+⅛	[illegible]	11.61
103⅛	99⅛	Exch. 11¼pc '86	99⅞	−⅛	[illegible]	11.77
102⅛	96⅛	Treas. 10pcCnv 1986	98⅞	+⅛	[illegible]	11.62
93¼	88¼	Treas 3pc 1986	92¼	−⅛	[illegible]	8.85
102	96½	Exch. 10½pc Cv '86	98½	+⅛	[illegible]	11.52
104⅛	99⅛	Treas 12pc 1986	100⅞	+⅛	[illegible]	11.55
98¼	93½	Treas 8½pc 1984-86‡‡	96	+⅛	[illegible]	11.53
108⅛	102⅛	Exch. 14pc 1986	103¼	+⅛	[illegible]	11.56
89⅛	85	Exch. 2½pc 1986	88⅝	−⅛	2.82	9.33
107⅛	100⅛	Exch. 13¼pc 1987	102⅞xd	+⅛	12.88	11.61
100⅞	94½	Treas 10¼pcCv '87	97¾xd	+⅛	10.47	11.46
87¼	83¼	Exch 2½pc 1987	85½	−⅛	2.92	10.32
101⅛	94½	Exch. 10½pc 1987	97⅛	+⅛	10.73	11.61
92¼	87	Funding 6½pc '85-87‡‡	90¼	−⅛	7.20	11.45
99⅝	92⅞	Treas. 10pc 1987	96⅛	+⅛	10.34	11.61
86⅝	81⅛	Treas 3pc 1987	84⅝xd	+⅛	3.54	10.14
105	97¼	Treas. 12pc 1987	100⅞	+⅛	11.90	11.59
94⅞	87⅛	Treas 7¾pc 1985-88‡‡	91¾xd	−⅛	8.49	11.24

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COM'WEALTH & AFRICAN LNS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا اصل الأصل

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
64	43	Magnolia Group	48	.....	2.5	3.2	7.4	4.7
64	28	♦Mainmet Hldgs 10p	35	.....	—	—	—	—
270	157	Man. Ship Can. £1	255	−3	5.5	5.3	5.3	13.1
104	65	Marley	101	−1	†3.2	2.5	4.5	11.4
61	40	Marling Ind. 10p	52½	+½	†d3.0	3.0	5.3	6.2
46	29	Marshall L'xy. 'A'	38	.....	†1.2	3.6	4.5	(6.8)
66	37	Marshall's Universal	45	−1	H1.75	—	3.8	19.5
89	77	Do. 7½pcCnRedPf £1	85	+1	7½%	—	12.9	—
30	20	Martin-Black	22#	—	—	—	—	—
£108	£88	♦Mathesons 7¾%	£88	.....	Q7¾%	2.5	(9.8	—
408	287	Metal Box £1	382	−8	†15.0	3.2	5.6	6.2
220	129	Metal Closures	136	.....	6.3	2.5	6.6	(7.5)
27	12	♦Metal Sciences 2½p	12	.....	—	—	—	—
133	89	♦Midland Marts	90	.....	4.0	1.8	6.3	11.4
81	45	Mitchell Cotts	80	−1	4.0	1.5	7.1	11.4
196	132	Morgan Crucible	194	−1	†7.5	1.1	5.3	(19.6)
*36	24	♦Morris (W) F.A. 20p	26	.....	bg0.5	4.0	3.0	22.8
130	80	Moss (Robt.) 10p	103	−1	♦12.5	2.3	3.5	14.9
330	197	♦MMW Computers	276	.....	6.0	3.0	3.1	15.5
65	38	Nash Inds.	40xd	.....	2.5	♦	8.9	♦
47	30	Neil & Spencer 10p	41	.....	—	—	—	17.7
33	13	Newman Industries	19	.....	—	—	—	(10.7)
31	16½	Do. 10pc Cm.Cnv.Pf.	28	.....	10%	—	7.1	—
67	39	Nolton	46	.....	g1.1	4.5	3.5	7.6
183	132	Norcros	167	.....	†7.5	2.4	6.4	8.8
86	55	Nu-Swift 5p	64	.....	†2.4	3.2	5.4	8.3
100	50	Oakwood Grp.	68	.....	‡6.5	—	‡	—
198	135	Office & Elect	153	.....	7.5	4.2	7.0	7.0
108	92	Oldacre 20p	105	.....	♦4.0	2.6	5.4	9.3
875	650	Oriflame Intl SA	650	.....	†Q53c	2.2	6.0	6.7
46	15	Ocenstone 12½p	15	−1	‡04.5c	2.2	‡	3.5
£167	£120	Ozalid 9pc Cnv 87-92	£166	+3	Q9%	—	F5.5	—
190	110	♦PCT Grp 10p	110	.....	g4.8	2.9	6.1	6.7
£12½	975	PLM 'B' Sk 25	631	.....	Q20%	3.2	4.2	7.4
190	149	PSM Intl	190	.....	bg5.25	2.6	5.9	13.9
62	40	♦Pacific Sales 10p	58	.....	b2.4	2.2	3.9	(10.0)
207	148	Parker Knoll 'A'	167	.....	9.0	2.8	7.7	6.6
265	197	Pauls	238	.....	8.5	2.5	5.3	10.1
638	408	Pearson	618	+18	†24.0	5.0	3.2	12.3

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net
*35	8	♦Intereuropean Video 10p	10	.....	[illegible]
218	125	Juliana's Hldgs 2p	210	.....	[illegible]
288	182	LWT "A"	268	.....	[illegible]
75	42	Leisuretime Int 10p	65	.....	[illegible]
		For M&E Facilities see Capital TV Facilities			
160	90	Mngmt. Ag. M. 10p	140xd	.....	[illegible]
179	130	♦Media Tech Int 20p	162	.....	[illegible]
137	76	Meadowmaster 10p	124	.....	[illegible]
220	138	♦Miles World 10p	180	.....	[illegible]
26	15	♦Nationwide Leis.	22½	.....	[illegible]
46	9	♦Nimslo Int 20c	16	.....	[illegible]
31½	14½	♦Owners Abroad	23½	.....	[illegible]
66	39	Photax (Lon.)	43	−2	[illegible]
29½	20	♦P'dilly Radio NV 5p	23	.....	[illegible]
190	57	♦Pineapple Dnc St 10p	71	+9	[illegible]
420	285	Pleasurama 5p	383	.....	[illegible]
17½	10½	♦Pres Entertain 10p	16½	.....	[illegible]
158	60	♦Radio City 'A' NV	60	−3	[illegible]
70	50	♦Radio Clyde N/V	55	.....	[illegible]
148	30	Riley Leisure 10p	52	.....	[illegible]
155	94	Saga Hols. 20p	154	.....	[illegible]
630	145	Samuelson Grp £1	630	.....	[illegible]
37	18	♦Sangers Photo 10p	29	.....	[illegible]
190	158	♦Scantro 50p	140	.....	[illegible]
190	90	Scott. TV 'A' 10p	150	.....	[illegible]
413	186	SeaCo Inc $0.125	336	−7	[illegible]
35	10	♦SelecTV 10p	14	.....	[illegible]
145	122	♦Spectrum 5p	130	−3	[illegible]
37	24	TSW 5p	32	.....	[illegible]
157	79	TVS N/Vtg 10p	134	.....	[illegible]
186	102½	♦Television Svcs 50p	186	+11	[illegible]
90	60	Tottenham Hotspur	78	−1	[illegible]
200	120	TrieFirst TV 'A' 10p	200	+4	[illegible]
175	100	♦21st Century Dist	122	.....	[illegible]
197	135	♦Tyne Tees TV 'A' £1	163	.....	[illegible]
101	53½	Ulster TV N/V 'A'	88	.....	[illegible]
28	17	Webb (Jos.) 5p	23	+½	[illegible]
98	88	Zetters 5p	95	.....	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

MINES—Continued

Diamond and Platinum

[illegible]

Central African

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
175	70	♦Colby Res Corp.	70	.....	—	—	—
955	500	Cons. Murch. 10c	500xd	−50	†Q100c	1.4	8.3
36	25	‡Ennex Int. Ir10p	30	+2	—	—	—
252	150	Hampton Areas 10p	163	+1	3.75	2.1	3.1
225	140	♦Highwood Res.	165	.....	—	—	—
£24½	£16	Homestake Mining $2	£29¼	+½	Q20c	—	0.9
295	135	♦McFinley Red Lake	240	−5	—	—	—
240	101	♦Musto Explorations	212	.....	—	—	—
55	23	♦New Sabina Res C$1	30	.....	—	—	—
365	220	Northgate C$1	275	−5	—	—	—
718	500	RTZ	588	−4	†18.0	2.7	4.4
£159½	£113½	Do. 9½pcLn '95-2000	£129½	+½	Q9½%	35.4	F7.4
£11¼	850	♦Tara Explo $1	£10¼	+⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✚ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

OPTIONS — 3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page.

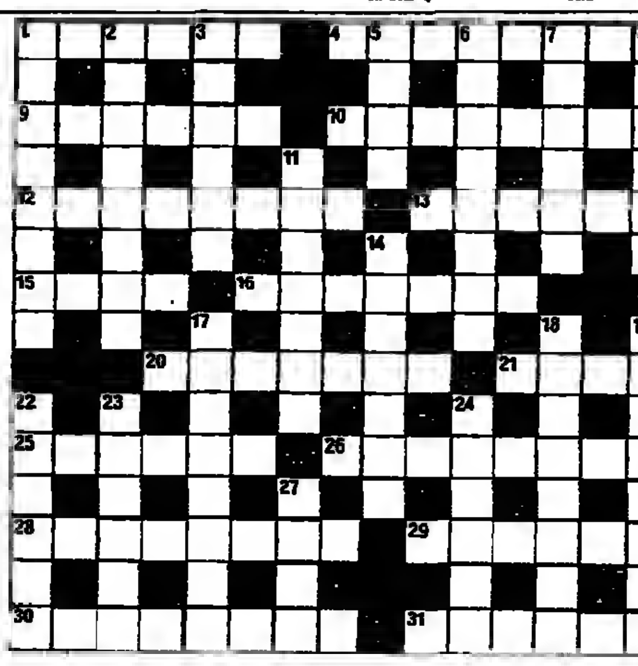
"Recent Issues" and "Rights" Page 29

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE NO 5,619



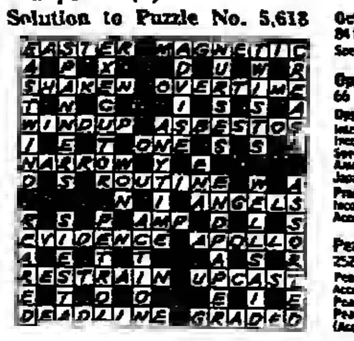
ACROSS

1 Revolutionary liquid-oxygen carrier? (6)
4 C-type that took over the lead for writers (8)
9 I, in faulty plane, make bloomer high up (6)
10 Silent vessel oot communicatiog (8)
12 Handy treatment from Crazy River (8)
13 School chemistry has a bad reputation (6)
15 Article of jewellery many put on cheek commonly (4)
16 Score-book? (7)
20 Dance of giddy goat—vet needed (7)
21 Rejected country star (4)
25 Spot repair? (6)
26 Work effort oo river (8)
28 Bird burning with love (8)
29 Fare from Norway—namely, one penny return after morning (6)
30 News summary includes one that is fired at home (8)
31 Yorkshire's seat? (6)

DOWN

1 Damage done in fast dispensary (8)
2 Hang on—I get cross—internal grumbler! (8)
3 Threat for fellows on the spot (8)
5 Buck up at the hack! (4)
6 Work of Giotto, for example, suffering over ring (8)
7 Seeing this lizard in Guiana, I move to the head (8)
8 Some internees' treatment sounds serious, man (6)
11 Tower of streogth in Ambridge? (7)
14 Miot packet? (7)
17 This partiog is not a big break io theatre (8)
18 Neglect study, lead oo (8)
19 She is so well-bred, idly playing in Rydal perhaps (8)
22 House carried for later assembly (6)
23 A ship has trouble under attack (8)
24 Might a thousaod clues go wrong? (8)
27 Fruit souodiog oothing like a peach (4)

Solution to Puzzle No. 5,618



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INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

U.S. urged to broaden strategic metal supply

WASHINGTON — A Congressional study has recommonded that the U.S. reduce its dependence on the Soviet Union and South Africa for four metals ossential to Amorican defonce, writes Associated Press.

The Congressional Office of Technology Assessment said chromium, cobalt, manganese and platinum were mined in the U.S. only in small quantities, with over half the world'a supplies coming from the Soviet Union, South Africa and Zaire.

The study urged the U.S., which buys over $1bn (£892m) of thoso motals annually, to shift the source of some of its imports.

The greatest potential for diversifying U.S. imports was in cobalt and manganese.

Manganese, which comes lorgely from South Africa, is olso produced in Australia, Brazil, India and China.

All prices as supplied by Metal Bulletin:

ANTIMONY: European free morket, 99.6 per cent, $ per tonne, in warehouse, 2,900-3,000.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 6.45-6.55.

CADMIUM: European free market, min 99.95 per cent, $ per lb. in warehouse, ingots 1.12-1.17, sticks 1.20-1.25.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 11.20-11.35.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse 296-306.

MOLYBDENUM: European free market, drummed molybdic oxido, $ per lb Mo, in warehouse 2.80-2.88.

SELENIUM: European free market, min 99.5 per cent, $ por lb, in warehouso 8.80-9.30.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO3, cif 66-72.

VANADIUM: European free morket, min 98 per cent V2O5, other sourceo, $ per lb V2O5, cif 2.30-2.35.

ANNUAL REVIEW OF AGRICULTURE

Farm incomes show 22% increase

BY MAURICE SAMUELSON

BRITAIN'S long hot summor raised farm incomes by 22 per cent last year in spite of contraction in tho dairy sector caused by European Community quotas, a Government report showed yostorday.

Tho Annual Roview of Agriculture White Paper said incomes of fermers and their wives rose to £1,826m, £324m more than in 1983.

Mr Michael Jopling, Agriculture Minister, in a parliamentary answer, called it a "significant recovery," ovon though in real terms income still remeined somo 8 per cent below the 1982 level and well below that achieved in the mid-1970s.

He added that while intensive livestock became more profitable in 1984, the continued imbalance between the relotively prosporous arable sectors and livestock in general "underlinos tho urgent need for reform of the Common Agricultural Policy."

Formers' income consists of the belance of net product after meeting lebour costs, interest chorges and net rent.

By contrast, the labour bill in 1984 for hired end family workers is estimated to bave increased to 5 per cent and net rent by 11 per cent.

INDEX OF UK NET FARM INCOMES IN REAL TERMS

	Diary	*LFA Catde and Sheep	Lowland Cattle and Sheep	Cereals	Pigs and Poultry
1977/78	107	118	188	68	149
1978/79	114	128	201	86	200
1979/80	70	59	90	63	140
1980/81	70	69	107	66	126
1981/82	87	118	124	64	144
1982/83	100	100	100	100	100
1983/84	63	92	91	100	72
1984/85 (forecast)	50	95	70	110	215

Source: Ministry of Agriculture.
* Less favoured areas.

The review estimates that the valued gross output measured in current prices rose by 6 per cent to £12,349m, reflecting higher valuos in nearly all loading commodities but most noticeably in cereals and arablo crops.

Milk end milk products were the only big sector to decline, due to the EEC milk quota scheme, which squoezed production, and the effect of the dry summer on grazing.

These factors mean that while the cereal-growing areas in the eastern part of the country had a good year, farmers in the West who specialise in dairy herds and livestock, were less successful.

At £2,364m, the cereal crops—mainly wheat, barley, and oats—were worth nearly £400m more thon in 1983, and £900m more than in 1980. The wheat crop, worth £1,439m, occounted for obout £200m of the increase ond wos olmost double the value of the 1980 crop.

The valuo of all kinds of livestock, meanwhile, was £4,258m, compored with the 1983 total of £4,020m.

Totel products from livestock, including milk, fell from £3,046m in 1983 to £2,893m.

The 26.5m tonnes of cereals produced wece 4.5m tonnes more than the previous record. There was also a 64 per cent increase in oil seed output, but total milk production was 6 per cent below forecast.

Tho bumper cereals crops also helped to hoost labour productivity by 15 per cent.

Although the UK still importe 38 per cent of tho food it consumes, it now growo 80 per cent of those foodstuffs which can be cultivatod in this country.

More than £1,300m was spent buying in and storing surplus food, with cereals toking £375m, the biggest expenditure. EEC interveotion buying of heef and veal cost taxpayors £322.5m and dairy produce £333m.

In addition, £63m was spent on pork, £32.9m on sugar, £54m on oil seed and £123m on sheepmeat.

"The increase in farm incomo shown in the 1985 onnual review is misleading," Mr Richard Butler, president of the National Farmers' Union, claimed.

"The real message of the White Paper is that farm output prices are logging hehind production costs ond the investment is stotic while the industry's debts mount. The fortuitous iocreaoe in form income which resulted largely from the exceotional growing season in 1984 is in sharp cootradiction to the underlying cost-price squeeze."

N. York exchange claims oil pricing lead

BY DOMINIC LAWSON

THE New York Mercantile Exchange yesterday claimed that it bad become "a pricing leader" in tho world oil markets, following a report thet the number of energy futures traded on Nymex in 1984 represented the equivolent of 4.6bn berrels of oil.

This compares with total world oil production last yeor of 21bn barrels, and was achieved through a record 4.6m futures controcts, a 76.6 per cent rise over 1983's levels.

Mr Michoel Marks, the chairmon of Nymex said yesterdoy thet "our record volumes reflect the wane of the Organisation of Petroleum Exporting Gountries' closed-door pricing policy and the emergence of and support for a free merket for oil pricing. Tbis transition has been of mojor consequence to the oil industry."

The extraordinery levels of futures trading on Nymex has been hlamed by many oil-producing countries as a contributor to instebility in world oil markets over the last yeor. However, Mr Marks sold yesterday thot instabiilty had been similorly a feature of the markot when Opec was sharply increasing prices in 1979-1980.

The futures markets have taken on an increasing significance with the growth of the oil spot morket, and oil companies have begun to use futurea as a means of bedging against trends in the pbysical oil market.

Energy fntures accounted for almost 8 6per cent of the total Nymex trading volume of 5.3m contracts last year—the bighest annual volume in the 112-year history of the exchange. Total Nymex volume grew by over 36 per cent in 1984.

● On Nymex yesterdoy crude oil futures weakened, with losses of up to 30 cents on a barrel of West Texas, the main U.S. crude.

However, in the European market, more affected hy the cold snep, priceo for North Sea crudes continued to gain strength, alheit still well below official levelo.

February shipments of Brent, the UK marker crude, wero traded at $27.20 and $27.25 a barrel, compored with $27 oo Monday. However, trading volumes were thin, while the British Notional Oil Gorporation seems increasingly unlikely to open discussions with North Sea producers on an official January price, before Opec ministers moet in Genova on Jonuary 28.

Cotton output likely to rise 21%

By Noncy Dunne in Washington

WORLD cotton production is expected to reoch a record 81.8m baloo io 1984-85 but output may decline next year, according to the U.S. Department of Agriculture.

Record crops in Brazil, China and Pakistan and heavy production in India and Turkey account for much of the expected 21 per cent increase in this yeor's output.

World carry-ovor stock prospecto continue to climb this month in spite of modest increases in world consumption, says the department. Tho 1984-1985 onding stock lovel is now estimated at 36.2m bales.

Higb stocks will lead to a decrease in planting for 1985-86, sayo tho department, with the lorgest declines expected in Mexico and Central Amorico. China is expected to reduce its cotton ocreage and only Europe, among cotton-growing regions, is expected to increase plantings. The department forecasts a 4 per cent increase for Greek acreage ond a 17 per cent expansion in Spain.

● **WORLD COCOA** production in the 1984-85 (October-September) crop year is likely to be about 3,000 tonnes below consumption according to the secretariot of the International Cocoo Orgonisation. This compares with current trado estimates of o modest surplus and a 25,000 tonno surplus forecast by London morchents Gill and Duffus in November.

● **THE POTATO** Marketing Board decidod at a special meeting yesterday not to increase the minimum acceptable size of potatoes which it earlier reduced to romove some of the surplus from the market.

● **THE U.S.** Administration will propose to Congress a gradual reduction in the U.S. sugar support price as part of the 1985 Far mBill, officials said.

The Administration plan would lower tbe U.S. sugar loan rate 2 ceots a year over five years from 18 cents this year.

Copper prices surge to hit five-year high

BY RICHARD MOONEY

HEAVY BUYING pushed copper prices to the highest level since February 1980 on the London eMtal Exchange yesterday. The rise, which lifted the cash price £23.75 to £1,196.25 a tonne, took most traders by surprise and some suggested it might reflect repurchasing by South American or African producers after over-selling to the East.

Aluminium was also fairly strong after initial profit-taking and fresh selling had trimmed the price by about £20 from the peak reached in after-hours trading on Monday.

The cash position ended at £981.50 a tonne, up £12 from oMnday's close, while the three-months position closed at £1,010.25 a tonne, up £13.75 from the close but £11.25 down from the after-hours level.

oDalers said Monday night's resulted from speculative buying after the psychologically important £1,000 a tonne barrier had been breached by the three-months position.

oMst of the current activity in the market was based on currency and chart factors, they said, though there were signs of a little consumer business yesterday.

Cash lead's £6.25 rise to £355.25 a tonne was seen largely as being in sympathy with copper, though concern about the availability of supplies for immediate delivery continued to be a factor.

Zinc prices also moved ahead in what dealers saw as a resumption of the underlying bull trend following a few days of consolidation. Cash zinc ended £8 up from tha previous close at £725.50 a tonne.

A strike threat to Peruvian zinc production and anticipation of yesterday's U.S. mint tender for 11m lb of special high grade zinc were thought to have contributed to the advance.

● Non-Communist world producers' refined zinc stocks at the end of November totalled 404,000 tonnes, down 25,000 tonnes from October and the lowest since June, the latest figures from the International Lead and Zinc Study Group show, reports Reuter.

Farm price hitch 'likely'

BY ANDREW GOWERS IN BONN

WEST GERMANY is likely to cause hig difficulties in this year's EEG farm price review as a result of heavy political pressure by farmers, the former West German State Secretary for Agriculture said yesterday.

Herr Hans-Jurgen Rohr who was sacked last October following a personal agreement with Herr Ignaz Kiechle the Minister said thot German farmers' finances remained in a particularly parless state following a sharp fall dnring the 1983-1984 financial year.

He said they were suffering more than those in some member states because they were less efficient and their farms were on average smallor.

He also predicted that a cut in grain prices, which is likely to be discussed by EEG ministers in coming weeks, waa unlikely by itself to succeed in restraining the runaway growth in Community surpluses.

Herr Rohr, one of the most experienced figures in EEC farm policy-making, was critical of both milk milk production quotas, which be said were unlikely to succeed in preserving small dairy producers, and the special measures enacted by the German Government to assist its own farmers.

On cereals, which have already been the subject of verbal sparring between Germany and Britain, Herr Rohr said production restraints, either in the form of quotas or acreage restrictions, would be measures of desperation. He held little hope for curbing production or keeping prices down in the long run.

LONDON MARKETS

COCOA prices turned down sharply yesterday following the £180 npsurge which began last week. The May position slipped to £2,034 at one stage before ending £19.50 down on the day at £2,045.50 a tonne. Dealers attribnted the fall to wide-spread profit-taking encouraged by firmer sterling. They also qnoted belated hedging against recent prodncer sales as a factor.

In contrast coffee values moved np quite significantly reflecting gains in the New York market. The March position finished £11.50 np at £2,348 a tonne, baving reached £2,354 at one stage.

The London daily sugar price was lifted another $2 to $114.50 in the morning and has now rallied some $22 from last month's 14-year lows. However, futures market valnes ended only marginally higher on the day.

MAIN PRICE CHANGES

in tonnes unless otherwise stated

	Jan. 15 1985	+ or −	Month age
METALS			
Aluminium	£1100	....	£1100
Free Mkt	$1146/1176	+55	$1160/1180
Copper			
Cash h Grade	£1196.25	+23.75	£1125.75
3 mths	£1208.75	+22.5	£1140.25
Gold troy oz	$302.75	+5.75	$309.95
Lead Cash	£355.25	+6.25	£347.5
3 mths	£329.75	+4.5	£331.25
Nickel	£5616	....	£6967
Free Mkt	219/248c	+1	221/251c
Palladium oz	$118.75	+0.25	$130.30
Platinum oz	$271.00	+4.25	$265.00
Quicksilver†	$295/305	−5	$300/310
Silver troy oz	536.40p	+5.30	534.30p
3 mths	552.30p	+5.95	546.30p
Tin cash	£9787.5	−46.0	£9806.5
3 mths	£9797.5	−36	£9879.5
Tungsten	$81.75	....	$86.50
Wolfram 22.04lb	$64/68	−2	$74/76
Zinc	£725.5	+8	£682.5
3 mths	£718.25	+11	£662.75
Producers	$900	....	$900

	Jan. 15 1985	+ or −	Month age
OILS			
Coconut (Phil)	$895y	+10	$830
Palm Malayan	$580z	....	$586
Seeds			
Copra Phil	$560y	....	$550
Soyabean (U.S.)	$247.5	+0.65	$247.7
GRAINS			
Barley Fut. Mar	£114.35	−0.30	£112.95
Maize	£146.90	....	‡
Wheat Fut. Mar	£114.00	+0.15	£113.85
No2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£2045.5	−19.5	£1833.5
Coffee Ft. Mar	£2348	+11.5	£2619
Cotton A index	71.55c	−0.25	76.00c
Gas Oil Feb.	$234.25	+1	$226.25
Rubber (kilo)	64p	+1	61.5p
Sugar (raw)	$114.5y	+2	$102
Wooltops 64s	488p kilo	....	487p kilo

‡ Unquoted. z Feb. w Mar. y Jan-Feb. x Dec-Jan. v Mar-April. † Per 76-lb flask. n Nominal. c Cents per pound.

INDICES

FINANCIAL TIMES

Jan. 14	Jan. 11	M'th ago	Year ago
293.21	293.31	288.31	290.66

(Base: July 1 1952 = 100)

REUTERS

Jan. 15	Jan. 14	M'th ago	Year ago
1961.1	1955.8	1894.5	1971.5

(Base: September 18 1931 = 100)

MOODY'S

Dec. 07	Dec. 10	M'th ago	Year ago
965.8	966.4	—	14048

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 27	Dec. 19	Month ago	Year ago
Spot	121.96	122.83	—	140.46
Fut	124.33	125.68	—	143.53

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	1186-.5	+17.7	1196-.e	+23.7
3 months	1200.5-1.5	+19.7	1208.5-9	+22.5
Settlem't	1186.5	+17.0	—	—
Cathodes				
Cash	1166-8	+12.5	1103.0	+27
3 months	1195-200	+11.5	1207-8	+21

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	974.5-5	+6.5	981-2	+12
3 months	1004.5-5	+14	1010-.5	+13½

Aluminium — Morning: Cash £975; three months £1,005, 05.5, 05, 04.5. Kerb: Three months £1,006, 05, 04.

SILVER

Silver was fixed 5.3p an ounce higher for spot delivery in the London bullion market yesterday at 536.40p. U.S. cent equivalents of the fixing levels were: spot 598.9c, down 1.6c; three-month 611c, down 1.9c; six-month 624.5c, down 2.5c; and 12-month 655.7c, down 2.7c. The metal opened at 538-541p (603-606c) and closed at 541-544p (603-606c).

GRAINS

The markets were steadier but remained in a narrow range. Spot demand for shipper and adverse weather conditions were the main factors. New crops continued to rise on shipper buying, reports Muirpace.

OIL

Relatively thin trading was concentrated upon African crudes for end of January loading and North Sea crudes for February. Nymex opened unchanged for February and about 10c down for following months and, in thin trading during the morning, slipped a further 10c. In the petroleum products market Continental demand for heating oil continued and helped firm gas/oil prices. The heavy fuel cargoes market was quiet but there was continued German demand for Rhine barges—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	28.25-28.45	—
Arab Heavy	26.95-26.80	—
Dubai	27.35-27.50	—
Brent Blend	27.20-27.30	+0.165
W.T.I. (1pm est)	26.15-26.25	+0.175
Forcados (Nigeria)	27.35-27.60	+0.075
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	231-253	—
Gas Oil	236-238	+8.0
Heavy fuel oil	184-167	—

All February prices.
Petroleum Argus Estimates

Turnover: 4,935 (3,712) lots of 100 tonnes.

U.S. MARKETS

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	49.60	—	—	49.15
Feb	49.60	—	—	49.40
March	50.20	50.30	49.40	49.90
May	51.00	51.00	50.20	50.80

COTTON 50,000lb, cents/lb

	Close	High	Low	Prev
March	66.91	66.73	66.42	66.52
May	67.47	67.90	67.30	67.36
July	68.15	68.30	68.10	68.10
Oct	67.88	67.96	67.80	67.96
Dec	67.85	67.95	67.80	67.99
March	69.05	69.45	69.45	69.45
May	69.70	—	—	70.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Feb	25.90	26.27	25.80	26.12
March	25.87	26.46	25.87	26.34
April	25.80	26.34	25.76	26.22
May	25.70	26.23	25.60	26.14
June	25.67	26.07	25.65	25.99
July	25.80	26.01	25.80	25.95
August	25.78	25.92	25.70	25.95
Sept	—	—	—	25.95
Oct	—	—	—	25.95
Nov	25.80	25.80	25.00	25.95

SPOT PRICES—Chicago loose lard 25.00 (25.50) cents per pound. New York tin 500.0-516.0 (499.0-512.0) cents per pound.

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	301.5	302.2	302.2	302.9
Feb	302.3	304.2	301.4	303.9
March	304.2	305.3	304.3	305.8
April	306.0	307.9	305.0	307.7
June	310.4	312.0	310.0	312.2
August	314.8	—	—	316.7
Oct	285.8	286.0	282.0	284.9
Jan	292.6	—	—	291.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	601.9	605.0	605.0	601.0
Feb	603.1	—	—	603.1
March	607.0	612.0	602.0	607.5
May	616.0	621.0	611.0	619.1
July	625.0	629.0	620.0	625.2
Sept	634.6	636.0	634.0	636.2
Dec	650.8	654.0	650.0	651.2
Jan	656.2	—	—	656.6
March	667.1	674.0	665.5	667.6
May	679.0	—	—	679.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	4.67	4.69	4.54	4.58
May	5.05	5.07	4.93	5.03
July	5.43	5.45	5.21	5.48
Sept	5.65	5.65	5.60	5.69
Oct	5.83	5.67	5.74	5.88
Jan	6.29	6.45	6.36	6.34
March	6.81	6.82	6.73	6.90
May	7.04	7.10	7.04	7.10

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	52.40	53.20	52.00	53.16
April	49.47	50.25	49.05	50.22
June	54.42	54.85	54.00	54.82
July	54.87	55.10	54.20	55.12
August	53.90	54.00	53.12	53.75
Oct	49.05	49.70	48.90	49.82

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	142.0	142.6	141.3	141.2
March	146.0	147.2	146.0	145.7
May	152.0	152.3	151.5	151.2
July	157.0	157.3	156.3	156.0
August	158.0	159.0	158.5	157.5
Sept	159.9	161.0	159.5	159.0
Oct	159.5	161.0	159.5	160.5
Dec	165.6	166.8	165.5	165.5

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	26.04	26.05	25.70	25.78
March	25.40	25.42	25.18	25.24
May	25.02	25.05	24.80	24.81
July	24.68	24.70	24.68	24.50
August	24.45	24.45	24.45	24.25
Sept	24.30	24.30	24.20	24.14
Oct	24.00	24.00	24.00	23.65
Dec	23.78	23.80	23.65	23.67

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	65.32	66.35	64.80	65.07
April	67.32	67.35	66.65	66.95
June	67.45	67.47	66.85	67.25
August	65.55	65.90	65.15	66.52
Oct	63.90	64.00	63.35	63.80
Dec	65.10	65.20	64.80	65.10

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	353.6	354.2	351.2	350.6
May	346.4	346.4	343.2	342.4
July	334.0	335.0	333.2	332.6
Sept	335.2	336.0	335.0	334.0
Dec	346.0	346.2	345.0	344.0
March	349.0	—	—	346.6

OTHER MARKETS

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Jan 514 buyer only, 516-518; March 510, 513, 514; May 521, 522, 522-521; Aug 538, 539, 540-538; Oct 538, 541, 540; Dec 530, 541, 540; Jan 542, 543, 542; March 549, 551, 551; May 556, 559, 556. Sales 117.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 581.0, 586.0, 582.0; May 587.0, 594.0; July 596.0, 600.0; Oct 584.0, 590.0; Dec 586.0, 592.0; March 582.0, 605.0; May 600.0, 608.0; July 505.0, 610.0. Sales: 8.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 165 tonnes. Fair trading developed, mostly in American-type varieties. Latin American growths moved off steadily as well as Central and East African.

HIDES

HIDES—Birmingham (Manchester). Second clears. Ox: 31-35.5 kg, 111.1p a kg withdrawn (108.5p); 26-30.5 kg, 124.5p a kg (119.6p withdrawn), 22-25.5 kg, 140.5p a kg withdrawn (135.0p withdrawn). Cows: 25.5 kg, 137.1p a kg (135.0p withdrawn).

PARIS

SUGAR—(FFr per tonne): Mar 1435-1439, May 1482/1484, Aug 1575/1580, Oct 1650/1555, Dec 1730/1750, Mar 1830/1843.

COCOA—(FFr per 100 kg): Mar 2175/2178, May 2180/2196, July 2185 bid, Sept 2168 bid, Dec 2120 bid, Mar 2120 bid, May 2120 bid.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.40p per kg lw (+0.81). GB—Sheep 156.72p per kg est dcw (−13.99). GB—Pigs 93.00p per kg lw (−1.53).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 77.0 to 85.0; English hindquarters 80.0 to 98.0, forequarters 60.0 to 66.0. Veal—Dutch hinds and ends 124.0-128.0. Lamb—English small 68.0 to 75.0, medium 65.0 to 70.0, heavy 63.0 to 65.0; Scotch medium 62.0 to 67.0, heavy 60.0 to 64.0; Imported: New Zealand PL (new season) 70.0 to 71.0, PL (old season) 67.5 to 68.3, PX (old season) 65.0 to 66.0. Pork—English under 100 lb 52.5 to 63.0, 100-120 lb 55.0 to 60.0, 120-160 lb 45.0 to 55.0.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter Feb 166, Mar 166, April 164.50. U.S. two northern spring 14 per cent protein spot 178, Feb 182.50, Mar 184.50, April/May 169.50. U.S. northern spring 15 per cent protein spot 198, April/May 187.50. U.S. three hard amber durum Jan 202, Feb 204, Mar 206, April/May 187, June 197, Sept 185. Canadian one western amber durum April/May 196.

MAIZE—(U.S. $ per tonne): U.S. three yellow afloat 135, Jan 134, Feb 133, Mar 132, April/June 132, July/Sept 132 sellers. Argentine Plate Mar 134, April 135, April/June 130 sellers.

SOYABEANS—(U.S. $ per tonne): U.S. no 2 yellow Gulfports afloat 242.00, Jan 241.50, Feb 241.50, Mar 241.50, April 242.40, May 243.50, June 245, Aug 246, Oct 241.25, Nov 241.25.

SOYAMEAL—(U.S. $ per tonne): 44 per cent afloat 168, Jan 169, Feb 169, Mar 169, April/Sept 171 sellers. Pellets Brazil afloat 182, Jan 184, Feb 184, Mar 179.50, April and May 170, April/Sept 173 sellers. Pellets Argentine afloat 170, Jan 174, Feb and Mar 174, May/Oct 170 sellers.

Rain boosts maize forecast

JOHANNESBURG — Long-awaited rains have halted the slide in South Africa's 1985-86 maize crop prospects.

The crop is now estimated at between 5m and 6m tonnes, the National Association of Maize Producers said.

Mr Piet Gouws, association general manager, said widespread rains yesterday were better than any over the past two months, with around 30 per cent of the maize-producing area receiving significant relief. Temperatures have also dropped sharply.

Last season's drought-ravaged crop totalled only 4.4m tonnes.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground

The dollar finished towards the lower end of the day's range in currency markets yesterday and down from Monday's close in London. Trading became a little nervous as the dollar approached the DM 3.20 level amid fears of renewed central bank interventinn. Others dismissed the possibility of action by the Bundesbank in the face of recent dollar demand.

Nevertheless there was some hestitation and sentiment was influenced by e 0.1 per cent fall in U.S. retail sales, compared with market expectations of a 1-1½ per cent rise and a reduction in U.S. prime rates to 10½ per cent. Industrial production rose 0.6 per cent, much in line with market expectations.

The dollar closed at DM 3.1850 from DM 3.1935, having touched a high of DM 3.1980. Against the Swiss franc il was higher at SwFr 2.6800 from SwFr 2.6760 but slipped in terma of the yen to Y254.70 from Y255.45 and FFr 9.7475 compared with FFr 9.7750. On Bank of England figures, the dollar'e trade weighled index was unchanged at 146.7.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.1110. December average 1.1573. Exchange rate index 71.3 from 70.8 and compared with 78.2 six months ago. Sterling finished firmer on the day, helped by a softer dollar trend. In addition the recent run on sterling had left many people running short positions and signs of temporary stability encouraged renewed interest in sterling. Recent paranoia, dismissing slerling as a one commodity currency appeared to subside for a while although there were still fears that any renewed decline in oil prices would lead to a further increase in UK interest rates.

Sterling closed at $1.1195-$1.1205, 9 rise of 90 points from Monday. It was also higher against the D-mark at DM 3.5675 from DM 3.5500 and Y285.25 from Y283.75. Against the French franc it rose to FFr 10.93 from FFr 10.8450.

D-MARK — Trading range against the dollar in 1984-85 is 3.1935 to 2.5535. December average 3.1021. Trade weighted index 120.1 against 124.5 six months ago.

The dollar was fixed at DM 3.1947 at yesterday'o fixing in Frankfurt up from DM 3.1647 on Monday and there was no intervention by the Bundesbank at the fixing. Underlying sentiment remained bullish and the U.S. unit attracted further support as the Bundesbank declined to intervene in the market.

Elsewhere sterling eased to DM 3.5640 from DM 3.5710 and the Swiss franc was lower at DM 1.1900 compared with DM 1.1918. Within the EMS the Belgian franc rose to DM 5.0 per BFr 100 from DM 4.9950 and the French franc was higher at DM 32.655 per FFr 100 from DM 32.650.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Jan 15	Previous
8.30 am	71.1	70.6
9.00 am	71.3	70.8
10.00 am	71.2	70.7
11.00 am	71.0	71.7
Noon	71.1	71.4
1.00 pm	71.1	71.5
2.00 pm	71.1	71.5
3.00 pm	71.2	71.3
4.00 pm	71.3	70.8

£ in New York

	January 15	Prev. close
£ Spot	$1.1193-1200	$1.1125-1135
1 month	0.42-0.38 pm	0.41-0.39 pm
3 months	1.03-0.99 pm	0.97-0.84 pm
12 months	2.05-1.95 pm	1.78-1.68 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.4592	−0.98	−0.09	±1.5428
Danish Krone ...	8.14104	7.95842	−2.23	−1.34	±1.6427
German D-Mark	2.24184	2.22363	−0.90	+0.09	±1.1453
French Franc ...	6.87456	6.81042	−0.93	−0.04	±1.3659
Dutch Guilder ...	2.52595	2.51178	−0.56	+0.33	±1.5186
Irish Punt	0.72569	0.713778	−1.64	−0.75	±1.6671
Italian Lira	1403.49	1364.00	−2.81	−2.53	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1130-1.1230	1.1195-1.1205	0.43-0.38c pm	4.34	1.05-0.95pm	3.57
Canada	1.4075-1.4875	1.4790-1.4820	0.01c pm-par	0.04	0.01pm-par	0.01
Nethlnd.	4.01½-4.04½	4.03½-4.04½	2⅛-2⅜c pm	6.70	6⅛-5⅞pm	5.83
Belgium	71.00-71.85	71.40-71.50	15-8c pm	1.93	35-23pm	1.63
Denmark	12.74-12.80¾	12.78½-12.79½	1½-¼ore pm	0.82	1½-½pm	0.27
Ireland	1.1416-1.1486	1.1435-1.1445	par-0.01p dis	−0.05	par-0.01dis	−0.02
W. Ger.	3.54¾-3.57½	3.56¾-3.57¾	2⅛-1⅞pf pm	0.73	5¾-5pm	5.82
Portugal	192.05-195.00	192.40-194.20	195-490c dis	−21.26	595-1450d	−21.10
Spain	196.50-197.50	196.50-197.00	10c pm-10 dis	—	10-35c dis	−0.45
Italy	2,178¾-2,193¾	2,190½-2,191½	3-6lire dis	−2.47	9-15dis	−2.19
Norway	120.30-10.35½	10.34¾-10.35¾	¼ore pm-¾ dis	−0.22	⅞-1¾dis	−0.51
France	10.86¾-10.95	10.92½-10.93½	2-1¼c pm	1.72	3½-1⅞pm	9.86
Sweden	10.20-10.26¾	10.24¾-10.25¾	1.54-1.45y pm	6.20	4.02-3.87pm	5.51
Japan	284-286	284½-285½	1½-1¼y pm	6.31	4⅛-3⅞pm	9.61
Austria	24.90-25.10	25.02-25.06	13½-12½gro pm	0.20	33½-29⅞pm	0.03
Switz.	2.98½-3.05¾	2.99¾-3.00¾	1⅞-1⅝c pm	7.25	5-4¾pm	6.42

Belgian rate is for convertible francs. Financial franc 84.05-84.15.
Belgian rate is for convertible francs. Financial franc 71.75-71.85.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1130-1.1230	1.1195-1.1205	0.43-0.38c pm	4.34	1.05-0.95pm	3.57
Ireland†	0.9740-0.9785	0.9770-0.9785	0.59-0.55c pm	7.01	1.42-1.32pm	5.01
Canada	1.3235-1.3247	1.3242-1.3247	0.18-0.21c dis	−1.77	0.38-0.43d	−1.22
Nethlnd.	3.5590-3.6215	3.5980-3.5990	0.74-0.70c pm	2.39	2.16-2.12pm	2.37
Belgium	63.70-64.11	63.70-63.80	9-10c dis	−1.78	21-23dis	−1.38
Denmark	11.38¼-11.44¾	11.41¼-11.41¾	3-3½ore dis	−3.41	8½-9¼dis	−2.88
W. Ger.	3.1800-3.1980	3.1845-3.1855	0.72-0.67pf pm	2.61	2.00-1.95pm	2.47
Portugal	172½-173¾	172¾-173¾	250-500c dis	−25.97	700-1450d	−24.82
Spain	173.25-176.89	175.60-175.10	68-75c dis	−4.87	183-198dis	−8.32
Italy	1,952½-1,980¾	1,953-1,954	11-11½lire dis	−0.89	28-28½dis	−5.80
Norway	9.22¾-9.25	9.23¼-9.23¾	3¾-4¼ore dis	−5.19	10-10½dis	−4.44
France	9.74½-9.79	9.74½-9.75	2.00-2.10c dis	−2.51	5.60-5.90d	−2.35
Sweden	0.12-9.19	9.14¼-9.14¾	1.80-2.30ore dis	−2.69	0.10-6.60d	−2.78
Japan	254.55-255.85	254.65-254.75	0.47-0.43y pm	2.11	1.37-1.32pm	2.11
Austria	22.33¾-22.45¾	22.35-22.40	2.80-2.10gro pm	1.32	7¾-5¼pm	1.21
Switz.	2.6720-2.6800	2.6795-2.6805	0.73-0.67c pm	3.13	2.16-2.10pm	3.17

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Six-month forward dollar 1.60-1.50c pm. 12-month 2.10,1.95c pm.

OTHER CURRENCIES

Jan. 50	£	$		£ Note Rates
Argentina Peso..	217.32-217.69	194.30-194.45	Austria	24.95-25.35
Australia Dollar.	1.3705-1.3725	1.2260-1.2270	Belgium	71.35-72.10
Brazil Cruzeiro...	3,692.18-3,714.51	3,301-3,318	Denmark	12.72-12.82
Finland Markka.	7.4605-7.4780	6.6750-6.6770	France	10.86-10.96
Greek Drachma.	144.20-147.20	129.00-131.60	Germany	3.55-3.68
Hong Kong Dollar	8.7148-8.7260	7.7950-7.7960	Italy	2175-2240
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

Jan. 15	Bank of England Index	Morgan Guaranty Changes%
Sterling	71.3	−19.2
U.S. dollar	146.7	+32.4
Canadian dollar	91.0	−3.0
Austrian schilling	110.0	+3.6
Belgian franc	88.8	−10.1
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Jan. 14	Bank rate %	Special Drawing Rights	Europ'n Currency Unit
Sterling	16	0.864814	0.622500
U.S. $	8	0.975201	0.702488
Canadian $	9.74	*	0.928551
Austria Sch.	4½	21.6623	15.6096
Belgian Fr.	11	61.8114	44.5186
Danish Kr.	7	11.0472	7.96035
D'mark	4½	3.08658	2.22319
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for January 11: 1.29000.

EXCHANGE CROSS RATES

Jan. 10	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

Jan. 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 8⅛-8⅜ per cent; seven days 8⅛-8⅜ per cent; one month 8⅜-8⅝ per cent; three months 8⅝-8⅞ per cent; six months 8¾-9 per cent; one year 9⅛-9⅜ per cent. Long-term Eurodollars: two years 10⅛-10⅜ per cent; three years 11-11¼ per cent; four years 11¼-11½ per cent; five years 11⅝-11¾ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Calmer mood in London

The London money market was reasonably calm yesterday, after a nervous start when it was feared that another rise in clearing bank base rates might be in the offing. Initially it appeared sterling had received little benefit from Monday's increase in rates, but some slightly disappointing economic figures from the U.S. prevented the dollar from continuing its record breaking run and encouraged a calmer tone in London.

A better mood was also brought about by the trend towards lower interest rates in New York as other leading banks followed Manufacturers Hanover in cutting their prime rates by ½ per cent to 10½ per cent.

UK clearing banks' base lending rate 12 per cent since January 14

Three-month sterling interbank touched a peak of 12⅜-12¼ per cent in early trading, but gradually eased back to finish at the day's low of 12⅛-12¼ per cent, little changed from the previous close of 12-12⅛ per cent. Bill rates were steady, with discount houses buying rates for three-month bank bills finishing unchanged at 11⅝-11 11/16 per cent.

The Bank of England initially forecast a market surplus of £300m, but changed this to £100m at noon, and finally to a flat position, where major factors were roughly in balance. The authorities did not operate in the market during the day.

The comfortable conditions were the result of a repurchase agreement on gilts, announced last week to help the market through a period of seasonal shortages caused by large tax payments. The gilt stock will be repurchased by the market on February 14, and the interest rate on the facility was set at the new base rate level of 12 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £192m, with the unwinding of repurchase agreements on bills absorbing £380m, and Exchequer transactions another £715m. These were roughly balanced by the gilt repurchase agreement adding £1,501m to liquidity, a fall in the note circulation of £100m, and bank balances above target by £5m.

MONEY RATES

Jan. 10	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.60-5.60	10⅛	2⅞-9⅛	5 13/16-2	5.28125	15⅝-12	9.55	14⅜-18⅝
One month	5.75-5.85	10¼-10⅜	0⅛-0¼	6 11/16-6 13/16	0.21875	10⅞-15⅞	10⅝-10⅞	14½-14⅝
Two months	5.65-5.80	10 7/16-10 9/16	—	—	—	—	—	14½-14⅝
Three months	0.75-5.90	10 7/16-10 9/16	0⅛ 5¼	5⅛-0	6.28125	10⅝-10	10⅝-10⅞	14⅜-14⅞
Six months	5.80-5.95	10 7/16-10 9/16	—	5 11/16-6 1/16	—	—	10⅝ 10⅞	14¼-14⅜
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10½	—	5¾	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Jan. 15 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. January 15)
3 months U.S. dollars

bid 8 3/8	offer 8 1/2

6 months U.S. dollars

bid 8 7/8	offer 9

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

ECGD Fixed Rate Export Finance IV: Average Rate of interest period December 5 1984 to January 1 1985 (inclusive): 9.613 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10 per cent from January 1 1985. London and Scottish Clearing Bank Rates for lending 12 per cent. London Deposit Rates for sums at seven days' notice 9 per cent. Treasury Bills: Average tender rates of discount 10.1017 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11¾ per cent; one-three months 12 per cent; three-six months 11¾ per cent; six-nine months 11¾ per cent; nine-12 months 11¾ per cent. Under £100,000 11 per cent from January 15. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 9 per cent.

MONEY RATES — NEW YORK (Lunchtime)

Prime rate	10½-10¾
Broker loan rate	9-10¼
Fed funds	8
Fed funds at intervention	—

Treasury Bills

One month	7.45
Two month	7.60
Three month	7.75
Six month	7.94
One year	8.35

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

Better trend

Prices were firmer on the London International Financial Futures Exchange yesterday, with sterling denominated contracts helped by the better performance of the pound, while the general mood improved after publication of a fall of 0.1 per cent in December U.S. retail sales. A rise of about 1 per cent was expected, but the fall encouraged hopes that the Federal Reserve will refrain from tightening its credit policy, to stimulate economic growth. In addition the rise of 0.6 per cent in U.S. industrial production was towards the lower end of the anticipated range.

March Eurodollars opened at 90.79, but this was near the low of the day of 90.78, and the contract than rose to finish at 90.94, compared with a high of 90.95 and the previous settlement of 90.75.

U.S. Treasury bonds for March delivery rose to 71-08 from 70-17, after touching a peak of 71-12, with the contract finishing below its best level as some selling developed in Chicago after the rise.

Three-month sterling deposits for March closed at the day's high of 88.51 after opening at the day's low of 87.80, compared with Monday's finish of 88.18.

Gilts for March delivery opened firmer at 104-11 and improved with the cash market to finish at 104-28, against 104-08 previously, influenced by similar factors to sterling deposits.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.94	90.95	90.78	90.75
June	90.32	90.32	90.19	90.11
Sept	89.80	89.80	89.67	89.61
Dec	89.37	89.37	89.26	89.19
March	89.01	89.01	89.00	89.84

Est volume 7,025 (4,522)
Previous day's open int 11,330 (11,053)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	123.75	123.75	122.05	121.90
June	124.00	124.00	122.75	122.05
Sept	124.50	—	—	123.05

Est volume 464 (619)
Previous day's open int 936 (849)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	71-10	71-10	70-31	70-16
June	[illegible]	[illegible]	[illegible]	69-21
Sept	[illegible]	[illegible]	[illegible]	68-30
Dec	[illegible]	[illegible]	[illegible]	68-10
March	[illegible]	[illegible]	[illegible]	67-24
June	[illegible]	[illegible]	[illegible]	67-09
Sept	[illegible]	[illegible]	[illegible]	66-28
Dec	[illegible]	[illegible]	[illegible]	66-16
March	[illegible]	[illegible]	[illegible]	66-05
June	[illegible]	[illegible]	[illegible]	65-27

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	91.85
[illegible]	[illegible]	[illegible]	[illegible]	91.32
[illegible]	[illegible]	[illegible]	[illegible]	90.94
[illegible]	[illegible]	[illegible]	[illegible]	90.47
[illegible]	[illegible]	[illegible]	[illegible]	90.17
[illegible]	[illegible]	[illegible]	[illegible]	89.90
[illegible]	[illegible]	[illegible]	[illegible]	89.65
[illegible]	[illegible]	[illegible]	[illegible]	89.42

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	91.12
[illegible]	[illegible]	[illegible]	[illegible]	90.49
[illegible]	[illegible]	[illegible]	[illegible]	—
[illegible]	[illegible]	[illegible]	[illegible]	89.56

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	90.74
[illegible]	[illegible]	[illegible]	[illegible]	90.11
[illegible]	[illegible]	[illegible]	[illegible]	89.58
[illegible]	[illegible]	[illegible]	[illegible]	89.17
[illegible]	[illegible]	[illegible]	[illegible]	89.82
[illegible]	[illegible]	[illegible]	[illegible]	88.51
[illegible]	[illegible]	[illegible]	[illegible]	88.23

STERLING (IMM) $ per £

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	1.1045
[illegible]	[illegible]	[illegible]	[illegible]	1.0985
[illegible]	[illegible]	[illegible]	[illegible]	1.0965
[illegible]	[illegible]	[illegible]	[illegible]	1.1520

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	68-31
[illegible]	[illegible]	[illegible]	[illegible]	68-07
[illegible]	[illegible]	[illegible]	[illegible]	67-19
[illegible]	[illegible]	[illegible]	[illegible]	67-02
[illegible]	[illegible]	[illegible]	[illegible]	—
[illegible]	[illegible]	[illegible]	[illegible]	66-05
[illegible]	[illegible]	[illegible]	[illegible]	65-25

Legal Notices

BARCRO-OLYMPIC STRANDERS LIMITED

NOTICE OF MEETING OF CREDITORS

NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act 1948 that a meeting of creditors of the above-named Company will be held at 9, St. James's Square, London, SW1Y 4LD on Friday 1st February 1985 at 2.00 p.m. for the purposes mentioned in Sections 294 and 295 of the said Act.

Creditors are asked to forward details of their claim to the above address.

By Order of the Board
J. E. MEAD
Secretary

Dated this 10th day of January 1985.

Company Notices

RHONE POULENC
7,50% 1972 / 1987
LOAN OF
FF 100.000.000,00

We inform the bondholders that the April 15, 1985 repayment instalment of FF 10.000.000,- has been made by purchase on the market.

Amount outstanding:
FF 35.000.000,-

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
Luxembourg

NOTICE OF REDEMPTION TO HOLDERS OF
BANQUE FRANCAISE DU COMMERCE EXTERIEUR
U.S.$60,000,000 FLOATING RATE NOTES DUE 1990

NOTICE IS HEREBY GIVEN that in accordance with Condition 5(c) of the Notes and Section 15 of the Fiscal Agency Agreement dated as of 15th August, 1983 between Banque Francaise du Commerce Exterieur (BFCE) and Chemical Bank as Fiscal Agent, BFCE has elected to redeem all of the issue on the next interest payment date falling on 15th February 1985. The notes will be redeemed at par value for the principal value plus interest to the date set for redemption. On 15th February, 1985 the notes will cease to accrue interest. The notes will be redeemed upon presentation and surrender together with all appurtenant coupons, if any, maturing on or after the date fixed for redemption in the case of bearer notes at the offices of Chemical Bank, 55 Water Street, New York (principal only) and 180 Strand, London; Banque Generale du Luxembourg SA, Luxembourg; Banque Bruxelles Lambert SA, Bruxelles; and in the case of registered notes at the above offices of Chemical Bank in New York and Banque Generale du Luxembourg in Luxembourg.

CHEMICAL BANK
Fiscal Agent
on behalf of
BANQUE FRANCAISE DU COMMERCE EXTERIEUR

Dated: 16th January, 1985

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for January 15.

U.S. DOLLAR STRAIGHTS | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | YEN STRAIGHTS | OTHER STRAIGHTS | FLOATING RATE NOTES | CONVERTIBLE BONDS

[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

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OVER-THE-COUNTER

Continued from Page 30

[illegible]

Indices

NEW YORK—DOW JONES | STANDARD AND POORS | N.Y.S.E. ALL COMMON | RISES AND FALLS | TORONTO | MONTREAL Portfolio

[illegible]

New York Active Stocks

[illegible]

* Indicates pre-close figure

AUSTRALIA | AUSTRIA | BELGIUM | DENMARK | FRANCE | GERMANY | HONG KONG | ITALY | JAPAN** | NETHERLANDS | NORWAY | SINGAPORE | SOUTH AFRICA | SPAIN | SWEDEN | SWITZERLAND | WORLD

[illegible]

** Saturday January 12: Japan Nikkei-Dow (c). TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

EUROBONDS

U.S. interest rates raise prices ¼ point

BY MAGGIE URRY IN LONDON

EURODOLLAR bond traders passed a more cheerful day yesterday, as good news on the U.S. economic and interest rate front pushed prices up by ¼ point or more. Lead managers of recent issues were able to move bid prices up and encourage short covering.

The better market, however, did not bring forth a flood of new issues. Two fixed-rate dollar deals appeared, from Mitsubishi Corporation and L. M. Ericsson.

The $100m Mitsubishi issue, lead managed by Yamaichi International, with Morgan Stanley a co-lead, follows a $200m deal for the Japanese trading house launched on Monday by Merrill Lynch. That had a 10-year life and 10⅝ per cent coupon. The new one has a seven-year life and 10½ per cent coupon. One trader said: "It's just like a two-tranche deal but with different lead managers."

The seven-year issue, like the first, is expected to sell well in Japan.

The Ericsson deal also raises $100m, and Citicorp International Bank is lead manager. The Swedish telecommunications and electronics group has a well-known name, but even so the terms – a 10⅜ per cent coupon and 100¼ issue price for the three-year paper – looked tight.

Syndicate managers point out that SEK last week launched a three-year issue with a 10⅜ per cent coupon and the same issue price. The Ericsson issue was holding up well, however, bid at a discount equal to its 1⅜ per cent total fees.

Salomon Bros priced a $200m Yankee bond issue for Sweden with a 12 per cent coupon and 99.604 issue price for a 25-year term. The borrower cannot call the issue.

SHF Bank bond average		
Jan 15		Previous
102.336		102.460
High	1985	Low
103.042		98.058

In the Euroyen market, Daiwa Europe launched a Y25bn seven-year issue for McDonalds, the fast food chain. The coupon was set at 6⅞ per cent and issue price par. The terms look fine, but the borrower enjoys a good name among investors.

ITT, the U.S. conglomerate, launched its scheduled DM 100m private placement through Deutsche Bank. The issue has a short, five-year life and a 7 per cent coupon, with a par issue price. The issue traded comfortably inside the 1¼ per cent selling concession.

D-Mark bond traders are still nervous about rises in interest rates ahead of the Bundesbank central council meeting tomorrow. Prices slipped by around ¼ per cent.

A new public issue was announced in the Swiss franc bond market, a SwFr 150m 10-year issue for the Inter-American Development Bank. The yield indicated by lead manager SBC is 5⅞ per cent.

UBS cut the yield on its SwFr 150m eight-year public issue for Tohoku Electric Power from an indicated 5⅝ per cent to a coupon of 5½ per cent and issue price of 99¾.

A Swiss franc issue is expected today for Nakayama Steel Works, to raise SwFr 50m.

The foreign bond market in Switzerland was unchanged on average with trading still quiet.

Bank of Greece seeks bids for $200m FRN

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE BANK of Greece has invited bids from a limited number of international banks and investment houses for a $200m floating rate note issue, expected to be brought to the market next week.

This will be Greece's first substantial borrowing of 1985 and is expected to be followed in about March with a Eurocredit of some $200m to $300m, also for the Bank of Greece, according to officials in Athens yesterday.

Last year the Bank of Greece also began the country's foreign borrowing programme with a $150m floating rate note priced at a margin of ¼ per cent over the London interbank offered rate for Eurodollar deposits and a $350m credit with a margin of ⅞ per cent for seven years. The credit was later increased to $400m.

This year, however, the two operations are being treated separately instead of being launched as one simultaneous package.

Bankers expect Greece's total borrowing requirement this year to be similar to last year's $1.8bn to $1.9bn. Loans from the European Investment Bank could, however, make up a larger part of the total than the $300m provided in 1984.

The Bank of Greece, which is the country's central bank, is likely to choose a traditional Eurocredit for its follow-up operation to the floating rate note. This is because the alternative, a note issuance facility, is regarded as less appropriate in circumstances where the country actually needs new money it can draw rather than a standby facility or a restructuring of existing loans.

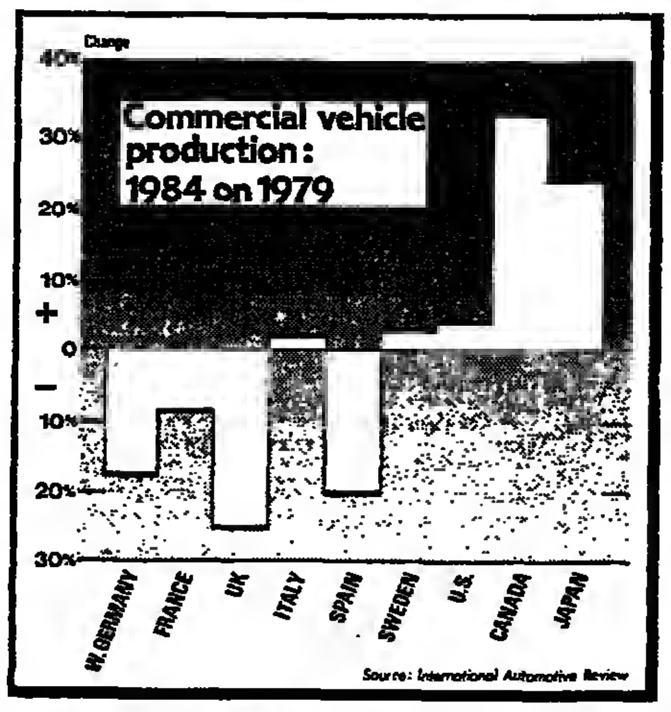
Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

SECTION IV

FINANCIAL TIMES SURVEY

Commercial Vehicles

Declining export orders have resulted in substantial over-capacity, forcing manufacturers into intense competition. The prospect of recovery in demand in Europe and the export market is remote



ON OTHER PAGES

Price conflicts add to burden

By Kenneth Gooding

Motor Industry Correspondent

THE MOST severe symptom of the malaise which currently afflicts Western Europe's heavy truck industry was to be found last year in France. Importers took advantage of a temporary weakness in Renault Vehicles Industriels (RVI) the domestic producer, and its market share dropped quickly to an abnormally low level.

RVI, in the belief that the loss in share could become permanent if the importers were allowed time to build up stronger dealer and service networks, decided that its main short-term objective should be a fast recovery in market penetration.

The objective was achieved and RVI's share moved back from 36 per cent to more than 42 per cent, amid protests from competitors that the State-owned group had set new records for discounting.

The price war eased towards the end of 1984 because, as M Bernard Hanon, president of Renault, points out: "Once the importers realised that we were determined to do—and spend—what was necessary to regain our normal truck market share, they decided it was a battle nobody could win and moderated their own price-cutting."

While the battle was fiercest in France, the struggle between the truck producers last year was not confined to that market. As export orders, *particularly from* the Middle East, declined at an alarming rate, the European makers had to look to their home territories to find the sales to keep their factories working at reasonable levels of capacity.

According to Scania, total West European truck exports to the Arab countries—including the key markets of Iran and Iraq—in 1984 probably fell to a level lower than the very poor total of 30,000 for 1979. Since then exports to those countries rose to 46,200 in 1980 and a peak of 82,400 in 1981. They remained at a high level—80,400—the following year but the slide started in 1983 when exports sank to 42,000.

This led to substantial over-capacity in Europe and, in the words of Mr Sten Langenius, president of Volvo, the other Scandinavian heavy truck group: "Today there is always some company in a desperate situation—cutting prices and dumping to survive."

The prospect of some surge in demand in Europe and export markets to bring relief from the competitive pressures is very remote indeed. Not one of the major truck companies believes that European output of vehicles over 3.5 tonnes gross weight will ever again return to the 406,700 achieved in 1980.

Last year, output fell by nearly 8 per cent from 278,300 in 1983 to 256,900, according to *estimates* by *DRI Europe* which also suggests that, after four years of decline, the bottom has been reached. DRI predicts a useful 12 per cent increase in production of over-3.5 tonners in 1985 to 288,600.

Protect

But "almost certainly fewer trucks will be manufactured in Europe in 1985 than were in 1980, so rising domestic production is a possibility open to few," says DRI in its latest European Trucks Forecast Report. And the medium-term will be marked by an increasing proportion of truck assembly moving to customer countries as companies attempt to protect their shares of vital markets.

DRI suggests, for example, that there will be some speeding up in the migration of truck production from Europe to Iran, Iraq, Algerie and, perhaps, Egypt.

However, although the European truck industry is in a state of disequilibrium, so far there has been no real sign of any major restructuring.

At *Daimler-Benz*, the major heavy truck producer, there are no doubts about why this is so. Herr Hans-Jurgen Hinrichs, the sales director, says: "Quite frankly, the natural selection process through the mechanism of the market no longer functions in broad sections of the European commercial vehicle industry because of government support for the makers.

"Herein lies basically the root of what is so lamented on all aides as 'price and terms competition,' with no individual manufacturer being able to escape this vicious circle."

Scania's director of information, Mr Kaj Sandell, has made the assertion that no more than four of the world's producers made a profit on truck building in 1983 (although he excluded Paccar from the reckoning because be was not familiar enough with that group's balance sheet).

The State-owned lossmakers in 1983 included RVI, with a deficit of FFr 1.9bn ($195.8m); Leyland in the UK, £70m in the red; Daf of the Netherlends loss was Fl 27m ($7.7m) while that of Spain's Enasa was Pta 2.8bn ($16m). Mack Trucks, RVI's 46 per cent-owned associate in the U.S., chalked up a loss of $26m for 1983.

They were by no means the only companies to incur substantial losses that year. Iveco, Fiat's subsidiary, lost Fl 232.8m ($66.4m) — the company is *registered in Amsterdam* — MAN in West Germany lost DM 148m ($46.3m) in the year to June, 1984, while in Britain Bedford, the General Motors *business, lost £55.3m.*

Impact

Obviously something bad to give. And while there has been no restructuring of the European industry so far, there has been considerable recent rationalisation by the individual companies. Leyland in May last year announced the closure of its export truck plant et Bathgate in Scotland over the following two years; Iveco shut down its medium truck plant et Trappes in France; MAN, Daf and RVI have retrenched their operations.

The impact on jobs of the drop in demand for European trucks has also been considerable. MAN bas cut 6,000 jobs since October 1980 and now has a workforce of about 15,000; Iveco bas reduced its beadcount from 48,000 to 37,000 in three years; Leyland now employs 12,000, a drop of 7,000 since 1982, while RVI's labour force is down from 27,500 at the end of 1982 to about 23,200.

Apart from cutting overheads, some of the smaller manufacturers have been looking for ways of sharing the heavy cost of designing, engineering and producing key components such as engines, axles and transmissions.

Mr Art Van der Padt, chairmen of Daf, maintains: "Europe is ahead of the world in commercial vehicle technology and we must see to it that this importent industry is kept alive and sound in Europe.

"Co-operation is an important part of tbat process. The European industry will bave to co-operate across national borders or eventually the Japanese and U.S. companies wilt take most of the business."

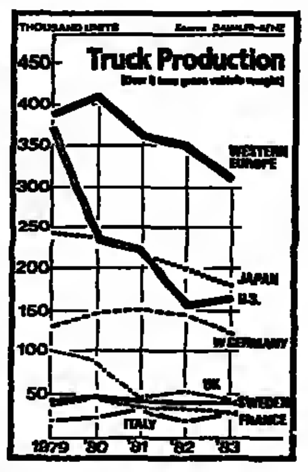
Daf, with an output of only about 14,000 trucks a year, has been forecast among the European groups seeking co-operation with its rivals. It recently completed arrangements with Enasa for the joint development and production of a cab for vehiclee of 14 tonnes upwards.

MAN is another company not averse to the co-operative approach to survival. It produces medium-weight vehicles jointly with Volkswagen and has been baving talks with Bedford about an exchange of truck parts.

Iveco, on the other hend, seems more interested in joint ventures for components—with U.S. groups Rockwell for axles and Eaton for transmissions.

Outside Europe, the Japanese companies have not been able to escape unscathed from the drop in orders from the Middle East and important markets in Africa such as Nigeria. However, after a sharp decline from 930,000 medium and heavy trucks in 1981, Japanese output seems likely to have surged back to 940,000 last year.

The resurgence has come mainty for trucks of up to six tonnes carrying capacity. Japanese exports of medium and heavy trucks are estimated by the Economist Intelligence Unit to have totalled about 336,000 in 1984 against 314,225 the previous year.



Heavy commercial vehicle demand in the U.S. up to the first balf of 1983 was so poor that both General Motors and Ford took rather half-bearted measures to see if it was worth staying in the business. And both came to the conclusion that it was worth the effort. Mr Edson Williams, Ford's vice-president and general manager of the group's truck operations, points out that "quitting is harder than staying."

Last year, bowever, demand in tbe U.S. picked up dramatically. In the heavyweight, class 8 sector, for example, production jumped from about 75,000 in 1983 to an estimated 130,000.

Even so, towards the end of the year some companies—notably Mack, Ford and Internationat Harvester—eased back output so as not to allow stocks to climb too high.

The reasons; U.S. class-8 truck production in the middle of 1984 was running at an annual rete of 165,000 and the consensus of opinion seems to be thet 1985 demand will be around 120,000.

Advantage

The Europeen truck producers, unlike their colleegues in tbe car business, are not yet sufficiently established in the U.S. to take full advantage of the boom currently in progress. But the upturn in the States has been very welcome because it bas enabled Volvo, Daimler-Benz and Iveco's subsidiaries in the U.S. to make profits in 1984 while RVI's associate Mack, has also returned to the black.

RVI probably sent 8,000 trucks for sale by Mack in the U.S. last year—roughly 15 per cent of its total output in France.

Some European companies which did not bave a chance to buy their way into the U.S. when local companies came up for sale during the recession at the end of the 1970s and beginning of the 1980s, still intend to move into the States—the world's lergest market for heavy trucks.

Both Scania and MAN recently announced plans to take their first, tentative steps into truck assembly in the U.S. Similarly, so have Hino end Mitsubishi of Japan been preparing the ground as pert of a long-term strategy for the U.S.

Meanwhile, back in Europe, the local producers ere bracing themselves for more of the same in 1985 as orders from the Middle East continue to dwindle and demand in Europe itself grows at only a snail's pace.

Price competition is bound to be as widespread as ever but should not reach the levels of 1983 and 1984. There have been reductions in capacity in France, Italy and the UK and several companies— Daf, Iveco, MAN and Leyland among them—have publicly stated thet they intend to concentrate on cutting costs, to match expected demand and return to profitability, rather than chase elusive increases in market share.

Commercial Vehicles 2

Here and on the next two pages **Kenneth Gooding** reviews the performance and prospects of leading manufacturers

U.S. expected to provide main impetus

THE U.S. market is expected to provide the main impetus for Daimler-Benz's truck sales this year. The West German group's Freightliner subsidiary has stepped up output to a record 83 a day and its 1984 sales were expected to reach 18,000 compared with 10,915 in 1983 and only 7,650 in the depths of the recession in 1982.

D-B acquired Freightliner for $260m in 1981 after a five-year investigation of the U.S. market made it clear that the purchase of a local company was preferable to a go-it-alone policy.

During the past two years, D-B has spent a further $50m or so on its U.S. business, based at Portland, Oregon. Mr Peter Rupp, president and chief executive of Freightliner, says he aims to take the company from its 12 per cent of the top-weight (Class 8) market to 20 per cent within five years.

The company has already moved from sixth to fourth place among the Class 8 truck producers, overtaking General Motors and Ford. It has its sites on International Harvester (23.2 per cent), Paccar, the Peterbilt and Kenworth concern (20.5 per cent), and Mack (18.5 per cent).

D-B has been sending trucks to North America from its 1970 and in 1980 set up an $8.1m assembly plant at Hampton, Virginia, to produce the vehicles—based on a 20-year-old design—from kits.

The Freightliner and Hampton operations have been merged and Mr Rupp predicts that the changes which have been engineered into the Hampton products to make them more suitable in the U.S. should boost sales from 3,112 in 1983 to 4,100 last year.

Within about two years sales out of Hampton will reach an annual 8,000, he suggests, as new German-designed Class 7 trucks are introduced. The newcomers will have a Brazilian content of about 70 per cent, while 20 per cent (two diesel engines) will come from Germany. The rest will be sourced in the U.S.

Freightliner broke even in 1983 and is profitable. Prof Werner Breitschwerdt, D-B chairman, says that in spite of the difficult market conditions, all the group's overseas truck companies — in Argentina, Brazil, Spain and South Africa, as well as the U.S.—are operating profitably.

Output of D-B's heavy truck assembly plant at Wörth, near Karlsruhe — western Europe's largest with 10,600 employees—was forecast to fall by up to 1,500 vehicles last year from 94,000 in 1983 and 104,000 in 1982.

It was necessary to switch 600 to 700 employees from Wörth to other group factories—a method D-B has previously employed to avoid lay-offs. Prof Breitschwerdt stresses, however, that the Wörth factory was built for a capacity below last year's output and "although production at Worth has actually gone down, we have been able to fully utilise the technical capability of the factory."

Other D-B executives suggest that Wörth's capacity is nominally about 95,000 trucks a year between six and 26 tonnes.

The seven-week metalworkers strike was signalled well in advance and the German companies were able to build up vehicle stocks. However, D-B's latest estimate is that it lost production of about 15,000 vehicles because of the dispute.

The company says commercial vehicle output in Germany for 1984 is likely to be down by 10,000 from 1983's level of 145,000. Production overseas should jump by one-third from last year's depressed level to about 63,000.

That would leave worldwide commercial vehicle production slightly up at 210,000 for 1984.

D-B has virtually completed the reorganisation of its vehicle production capacity in West Germany so its capital spending, which has been running at an annual DM 3bn ($960m) will ease. Spending on new products will continue at the current high level.

Following the reorganisation, D-B concentrates car assembly at two facilities—Sindelfingen and Bremen. Car components are produced at Unterturkheim, heavy truck assembly is at Wörth and there is a van plant at Dusseldorf with a capacity of 60,000 to 70,000 vans a year.

There are also three commercial vehicle component plants in the new structure, because D-B is dedicated to the idea that it must produce its own key driveline components. Gaggenau makes gearboxes, Kassel produces axles and Mannheim makes engines. Three small units—at Berlin, Hamburg and Bad Homburg—produced components for both cars and commercial vehicles.

All D-B's investment spending is provided from its own resources. The latest balance sheet showed the group ended 1983 with its cash assets virtually unchanged at DM 3bn.

Of the capital investment in Germany that year, DM 788m (up from DM 748m) was made in commercial vehicles.

The group does not separate the financial performance of its truck business in its results. In 1983 the group as a whole—western Europe's third-largest company in stock market value—reported a net profit of DM 988m (up from DM 921m) on sales up from DM38.9bn to DM 40bn.

Prof Breitschwerdt says that, thanks to demand for the group's cars, profit for 1984 should be broadly similar on sales up by DM 2bn to DM 42bn.

Truck output forecasts

(over 6 tonnes gross weight)

	1984	1985	1990	% change 1984 v 1990
WEST GERMANY				
Daimler-Benz	76,500	85,900	101,600	32.8
MAN	13,000	15,500	17,000	30.76
Magirus	9,000	9,500	10,100	12.22
UK				
Leyland	9,400	10,600	10,500	11.7
Ford	14,500	16,200	17,200	18.62
Bedford	11,400	12,100	13,200	15.78
Renault TI	3,800	4,600	4,600	21.00
FRANCE				
Renault	27,900	33,400	37,800	35.48
ITALY				
Fiat	26,300	36,800	39,400	49.8
SPAIN				
Enasa	5,100	6,400	7,700	50.98
NETHERLANDS				
DAF	11,300	12,600	13,600	22.1
SWEDEN				
Scania	21,000	19,800	23,100	10.00
Volvo	32,800	35,700	41,700	27.1

Source: ORI European Trucks Forecast Report.

Changes force watershed year

WILL 1984 turn out to have been the watershed year for Leyland Trucks?

On the positive side the company, a subsidiary of state-owned BL, launched the Roadrunner truck, possibly the most important vehicle in its history and focus of the company's hopes for regaining UK market leadership, lost to Ford in 1977.

In contrast, the company had to cut further in the face of huge losses and static export markets. In May, Leyland announced that the export truck assembly plant at Bathgate, Scotland, was to be closed over two years with the loss of all 1,770 jobs. Leyland also cancelled plans to produce the Family One Cummins medium-truck diesel engine at Bathgate.

Mr David Andrews, chairman of Land Rover-Leyland, says: "All the actions were aimed at reducing cost and asset base, improving products, and improving market spread to give us more resilience to the ups and downs of demand. We had too much at stake in markets that went bad."

He adds that the new Roadrunner, which is Leyland's entrant in the high-volume, 6.2 to 10 tonnes market segment, could be profitable.

"If Roadrunner sells as well as we hope, it should improve Leyland's truck market share overall. But competitors will react. Customers won't change overnight. You can't expect to make sudden, major advances in this industry."

Roadrunner competes in a sector which accounts for 30 per cent of UK heavy truck sales (over 3.5 tonnes gross weight). It is aimed at buyers of 7.5 tonne trucks, a sector which has grown from only 1 per cent to 20 per cent of sales in 10 years since that became the heaviest vehicle which could be driven without a heavy goods vehicle licence.

Roadrunner replaces the 15-year-old Terrier, and Leyland hopes to sell 1,600 in Britain this year and 3,000 in 1985. This compares with 1,563 Terrier registrations in 1983 and a total 1,600 forecast for 1984.

The new truck completes Leyland's model renewal programme, which started nearly five years ago with the launch of the Roadtrain, first of the T45 "trucks for Europe" range. Of the £60m spent on the T45 models, £10m went to develop Roadrunner, previously code-named MT211.

It will be produced at the £32m assembly hall in Leyland, Lancs, another element in the Leyland investment programme which has absorbed around £350m of the £2bn government money injected into BL since 1978.

However, as Leyland was spending, its markets were collapsing. In 1982 the company attempted to cut its cost base. The workforce was cut by 27 per cent (4,100 jobs), the Guy truck plant at Wolverhampton was closed, other manufacturing operations were reorganised and Leyland discontinued manufacture of the TL12 low-volume engine.

This created a cost structure with a breakeven annual output of 20,000 trucks, a far cry from the 41,400 produced in 1975 and well below the 22,950 in 1980. Leyland's truck output was only about 11,000 in 1983 and in 1984 between about 10,500 and 11,000.

Sales of heavy trucks in Britain slumped from 80,000 to 44,000 a year in only two years and 1984 should have been about 55,000, while output has suffered as Leyland's export markets ran out of funds. The company's exports totalled 14,000 to 15,000 a year in the 1970s, were 10,000 in both 1980 and 1981, fell to 5,000 in 1982 and in 1983 slumped to 2,700.

Last January, Leyland announced 1,057 more redundancies at three plants: Albion in Glasgow, Leyland in Lancashire and Scammel at Watford. The political ramifications of the closure of Bathgate, an area of high unemployment, held up the announcement of the Scottish factory's future for some months.

The closure of Bathgate still leaves Leyland with substantial excess capacity because it Lancashire plant can produce 40,000 trucks a year on two shifts.

Bathgate redundancy payments will cost £15m, an average of £8,823 per employee. But the closure will save Leyland more than £10m a year and a once-and-for-all sum of £20m in working capital employed.

Marshall Tractors, of Gainsborough, Lincolnshire, wants the engine facilities and this might save several hundred jobs. However, Leyland has spent £30m on Bathgate since 1978 and Mr Andrews says: "We won't give the engine plant away." He is in no hurry because: "Bathgate will build engines through 1985 and trucks for a substantial part of that year."

BL does not separate the Leyland Trucks results, but in 1983 the Land Rover-Leyland group sustained an operating loss of £66m, a deterioration of £24m, compared with 1982. At the half-way stage last year, the group operating loss fell from £34m to £29.2m.

Leyland Vehicles—which includes the troubled bus-building operations as well as truck manufacturing — reduced its half-year operating loss from £36.8m to £33.7m.

Mr Andrews says that, although the business is making sound progress, it could not be expected to break even in 1985 because of limited domestic demand.

He believes there has been a fundamental change in the structure of the UK truck market and that total heavy truck demand in the future will be in the region of 60,000 in a normal year.

Even so, with the benefit of Roadrunner in the range, in 1985 Leyland's truck production is forecast to improve by nearly 25 per cent to 13,500.

Emerging from the gloom

MAN, second-largest of the West German heavy truck producers, seems to be emerging at last from the traumatic experience which started in 1982 when an order for 2,000 trucks for the Middle East was completed but then cancelled.

The trucks, built to Middle East specifications and not suitable for western Europe, had to be sold at minimal prices. That was one reason why MAN reported a net loss of DM 329m in 1982-83.

The disaster, which sent shock waves through MAN's parent group, Gutehoffnungshutte (GHH), West Germany's biggest mechanical engineering group, caused the company to take stock.

According to Herr Gunther Dietz, senior vice-president and general manager of marketing and sales, MAN decided that truck demand world-wide would never again reach the highs of the late 1970s and the company had to match capacity with expected demand.

It also decided to build its sales in western Europe, which in future would be treated as its "domestic" market. The cuts have involved severe job losses. The MAN workforce—21,000 in October 1980—is now 15,000.

The huge redundancy payments of DM 125m (about £33m) were the main reason that MAN's losses remained high in the year to end-June 1984: DM 148m compared with a DM 329m loss in the previous 12 months. The 1983-84 figures also suffered from the seven-week metalworkers' strike in Germany which ended in June.

MAN has decided to concentrate production operation into fewer facilities. Heavy-truck building will all be done at the Munich plant where about DM 10m will be spent on modernisation.

The bus manufacturing business has been made a separate profit centre. The former Bussing plant at Braunschweig has been closed—saving DM 10m a year. The Salzgitter facility, 20 km away, will build all the buses along with the medium trucks produced jointly with Volkswagen and key components such as front axles and crankshafts.

The upshot, says Dr Dietz, is that MAN could "live with a truck output of 14,000 a year from now on."

The peak at the end of the 1970s, saw MAN producing 24,000 trucks and 3,000 buses a year. In 1983-84 truck production was 17,000 and bus output 2,000.

Dr Dietz maintains that in 1984-85, MAN should produce 19,000 trucks and 2,500 buses. In two or three years, truck output should be at an annual 20,000 to 21,000 — but no increase in bus production is forecast.

MAN should break even in the current year — "we might even make a small profit," he adds.

Another important step to boost production should be taken before the end of the 1980s because MAN has decided to enter the U.S. truck market with the vehicles it produces with Volkswagen.

The trucks will be assembled at MAN's bus plant in North Carolina, using key components such as diesel engines, transmissions and axles from Germany. At first, sales would be concentrated on the east coast of the U.S.

Existing sales of all trucks in this category — six to 11 tonnes gross — total about 100,000 a year in the U.S.

So far the MAN-VW joint venture has not been the success hoped for, because demand for the six to 11 tonners in Europe has been depressed since they were launched with a tremendous fanfare in 1979.

The intention was for 15,000 of the vehicles—called the MT range—would be produced annually with 10,000 being exported. But output has been only about 5,000 a year and Dr Dietz suggests that it will not reach 10,000 until the end of the 1980s.

Pledge to raise market share

THE DEEP recession in heavy truck sales in North America and Western Europe caused General Motors, the world's largest automotive group, to make a careful examination of the potential for that segment of the commercial vehicle market.

As a result, GM recently assured dealers around the world that "we are in, and intend to stay in, the heavy truck business and to increase our market share," according to Mr Don Atwood, executive vice-president in charge of worldwide truck and bus group, power products, defence and component operations.

He says there is no question about the potential strength and profitability of GM's vans and light-duty truck operations.

But both medium and heavy trucks had caused some concern when the volume of sales dropped so far during the recession in the early 1980s.

"We did a detailed evaluation of both markets and decided both are viable. Medium-weight trucks are very important to us, both in the U.S. and Europe. We will continue to be an important part of the medium market.

"Heavies were more difficult to evaluate because even the most optimistic forecasts said sales would not get back to the peak levels of 1978—and the market is crowded with many competitors.

"But we feel it will be viable for those who have advanced technology and whose products emphasise fuel economy and low maintenance."

Two years ago, GM set up its world truck and bus group, based at Pontiac, Michigan, and integrated its commercial vehicle engineering and manufacturing operations. This included the Brazilian subsidiary, Bedford in Britain, Chevrolet, GMC and Detroit Diesel Allison in the U.S.

Mr Atwood says that all product-planning and engineering is now co-ordinated from Pontiac, with Chevrolet, GMC and Bedford providing the main engineering centres.

"Bedford will be an integral and important part of the world truck group," Mr Atwood maintains. Bedford's engineering and product-planning functions have been merged with other GM companies and its manufacturing operations will also be controlled from Pontiac. However, it retains some autonomy in respect of its UK marketing.

The "world truck and bus" concept within GM goes back to September 1979, when it set up a group within the Warren, Michigan, research and development centre to see what could be done to spread the cost of developing new truck components across all the GM companies — particularly as the vehicles built in various parts of the world were becoming more similar.

The Warren research suggested that, in medium trucks especially, GM could gain from developing common engines, transmissions, clutches and axles, and possibly even frames and cabs.

The way this might work in future can be judged from what GM has in mind for Bedford. Instead of manufacturing nearly all the key components for its trucks, Bedford, when "world" truck production begins, would make one or two on a large scale for its own use and for distribution to other GM companies.

In turn, they would produce components on a large scale, some for Bedford, which would use them in the trucks assembled in the UK.

Mr Atwood says that within this decade there will be common medium trucks emanating from the work done during the Warren phase of the programme. It will take longer for the "world" vans to make their appearance, but again they should be on sale before the 1990s.

GM has been preparing its commercial vehicle distribution networks around the world for the day when the new products emerge.

Mr Atwood explains that in countries such as the UK and Brazil where GM has production facilities, the local GM company has responsibility for marketing commercial vehicles. However, in "neutral" markets, distribution will be handled by companies set up jointly with Isuzu of Japan, in which GM has a 36 per cent shareholding and an option on a further 43 per cent.

Isuzu is also being treated as an arm's length supplier to GM's world truck business. It is supplying a medium, cab-over-engine truck for the U.S., sold with a Chevrolet badge, while Bedford used an Isuzu design, and is importing Isuzu engines, transmissions and other components for its recently-introduced Midi van.

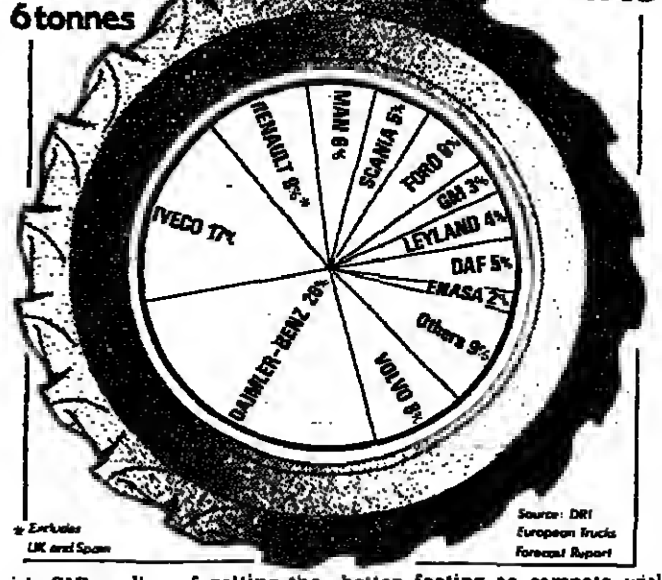
Once again, the Midi van uses a local label, Bedford, in line with GM's policy of getting the most from the goodwill attached to the names it owns.

GM, however, has no intention of handing over the benefits of the joint distribution deal to an arm's length supplier in Japan, Mr Atwood says. As much as possible is being done to upgrade the Bedford products until that company, the U.S. operations and GM's Brazilian subsidiary can be put on a better footing to compete with the Japanese.

Mr Atwood says: "In five years we will have a technological lead with such things as electronic fuel injection, electronic transmission controls and built-in diagnostics to cut maintenance costs. That technology will not be available to Isuzu. So we should win on total cost of ownership rather than initial cost."

Truck Market Shares in Europe

over 6tonnes 1983



* Excludes UK and Spain

Source: DRI European Trucks Forecast Report

World truck nears launch

FORD'S "world" truck will go on sale this year. It will have a European cab, a North American chassis and a diesel engine developed from one used by the group's agricultural tractor division. The components will be assembled in Brazil.

The first "family" of designs for the new medium-to-heavy range is aimed primarily at the Brazilian and North American markets where the first products will go on sale in the autumn.

Mr Edson Williams, Ford vice-president and general manager of the group's truck operations, says: "The Brazilian world truck takes the best we have within Ford and puts it together."

The company has the capacity to build about 40,000 a year.

The cab will be adapted from the one used for the Ford Cargo range in Europe. Cab panels will be sent from the UK to Brazil for the new vehicle.

But the heavy cost of transport to Europe and the 14 per cent tariff barrier it would face before entering the EEC makes it unlikely that built-up trucks will find their way from Brazil to Europe, Mr Williams says.

However, Mr Williams reveals that other export markets are being considered and there seems to be potential in Asia.

Ford has invested about $100m in a new diesel engine plant in Brazil which will come into operation shortly, providing power units mainly for the domestic market. The engine is a six-cylinder, direct-injection 7.8 litre unit. There will also be an option of the existing Ford 6.6 litre turbo engine, but in a South American version. Output of 55,000 engines a year is envisaged.

The company will start by building what are known in North America as Class 6 and 7 trucks (medium-weight). Eventually heavyweight (Class 8) versions will be introduced—but using bought-in engines, because Ford has no intention of developing a 10-litre diesel engine of its own, Mr Williams points out.

The Brazilian project is part of Ford's response to the substantial over-capacity for heavy truck manufacturing worldwide.

Ford can simplify its heavy truck designs worldwide and establish those parts of the truck which could be made common to Ford vehicles the world over.

He looks ahead at the time when "components for our heavy trucks will be of a single, world-class design and will be built in a number of countries. We will buy from those international suppliers who can supply in the countries where we assemble trucks and need the components."

A locally-produced ZF gearbox will be used in the Brazilian-built "world" truck for instance.

Ford began working its world truck programme in 1982. It will take another eight years to complete, says Mr Williams.

"We must prove it can work and that we can make money on heavy trucks."

The company will spend about £1bn on truck development and production over the four or five years from 1983 out of its worldwide budget of £4bn. Britain will receive about 80 per cent of the £1bn for trucks.

This is because, although the group has truck plants in Australia and Brazil, the two big design centres are in the U.S. and Britain.

Ford makes a profit on its total commercial vehicle operations but its strength is at the light end—with the Transit van and car-derived vans in Europe and with pick-up trucks and vans in the U.S.

However, the launch of the Cargo range in March 1981 at the cost of £125m was proof that Ford wants to win a much larger share of the European market for medium and heavy trucks.

The Cargo got off to an inauspicious start with many niggling problems and recalls by the company to put them right. Ford's share of the West European market for trucks of more than 3.5 tonnes, which stood at 7 per cent in 1980, has shrunk to just over 6 per cent.

With the full Cargo range in place and the initial technical problems behind it, Ford will concentrate on building sales, particularly in the UK, and getting some return on its investment.

Confident of return to profitability in three years

ONE SHORT year ago, M Pierre Semerena, then president of Renault Vehicules Industriels, said boldly that his company's first task was to stop the steep slide in market share in France and to claw back to a "normal" level of penetration.

RVI was willing—with the backing of its State-owned parent group—to spend as much as necessary. That decision, and the bloody price war which ensued in the French truck market early last year, has sent convulsions through the European industry.

RVI had emerged from the merger of the Berliet and Saviem groups in France and more recently added the truck business Peugeot picked up when it acquired Chrysler's European assets.

For the French, there was no point having a "national champion" in the business if it was to be demolished by importers.

According to M Semerena, the importers took advantage of a lull in RVI's new model introduction programme to push the French group's market share to abnormally low levels: it dropped to 36 per cent.

RVI achieved its objective very quickly. It has pushed its way back to a 42 per cent domestic market share. M Semerena says that RVI's main priority now is to return to profitability while maintaining its "normal" French market share.

"We will only try to improve market share again when prices have stabilised," he maintains.

M Semerena feels confident enough about the future to predict that RVI could return to profit in 1987 or 1988. "We are on a slow road to recovery."

Partly as a reward for his efforts, M Semerena was promoted last month to become chief executive of Renault's car division—which also has more than its fair share of problems. His successor is M Phillippe Gras, formerly the marketing and commercial director of RVI.

In the first half of 1984, RVI lost FFr 1.4bn following a FFr 1.95bn loss for the whole of 1983. M Semerena indicates that RVI's 1984 losses might be larger than the previous years, even though it half.

The first-half deficit included FFr 200m in special charges connected with the company's job reduction programme—1,500 have gone since the beginning of the year when the workforce was about 28,000.

M Semerena says that RVI has also cut value of its vehicle stocks by FFr 850m in the past year, reducing the number of trucks from 9,000 to 5,000.

The brightest part of the RVI business in 1984, as for some other European manufacturers, has been its U.S. operations. Since 1979 the French company has had a shareholding in Mack Trucks, a stake that now stands at 46 per cent.

Mack is benefiting from the recovery in demand in the U.S. and will sell more than 24,000 trucks this year, against 14,000 in 1983 — still well below the 40,000 for 1979. Of the 1984 total, about 6,400 will be imported from Renault in France and sold as Mack Midiliners.

In the first half-year Mack reported a net profit of $31.6m and seems to be on the way to a profit for 1984 as a whole of around $60m compared with a $26m loss in 1983.

The French-built Mack Midliner competes in the medium-weight (Classes 6 and 7) sector of the market, where 80 per cent of the vehicles are of the bonnetted type rather than the cab-over-engine variety which RVI has been supplying. M Semerena reveals that this year RVI will be producing a bonnetted version of the Midliner for Mack "to protect our position."

In particular, RVI has its eye on the potential competition from the Japanese, as both Hino and Mitsubishi have entered the medium truck market in the U.S. with cab-over vehicles.

Back in Europe, the former Dodge Trucks operations in Spain and Britain which RVI acquired from Peugeot in 1981 are struggling to cope with appalling conditions in their domestic markets. Both companies have changed name to clearly identify them with Renault, but in the UK the Dodge badge is still used on some vehicles.

M Semerena reports that output from the RVI plants in Spain will be about 2,800 for last year against 3,000 in 1983. The company had maintained its market share at 32 per cent.

Production in the UK last year was about 4,000 against 4,707 in 1983, as the British subsidiary has eliminated stocks. The company has had orders for more than 5,000 vehicles, and shipments will be up 25 to 30 per cent on 1983.

Even so, the backlog of orders at the end of last year will be bigger than at the end of 1983.

The UK Renault company's 1985 output is expected to be about 5,800 and it has been working full-time since August after being on short-time for two years.

RVI has started assembling two ranges of heavyweight Renault-badged trucks at the Dunstable plant in the UK and about 300 to 350 will be built in 1984, with an increase in sales expected as new versions are introduced.

M Semerena says he wants more Renault-badged trucks sold in Britain and wants the UK subsidiary to increase its market share from the current 10 to 11 per cent. "We also want profitability."

He maintains that "step by step," RVI will work towards a truck range common to Spain and the UK as well as France. But not to the U.S., where the operators demand very different vehicles from Europe. However, he would hope that in 10 to 15 years, Mack might be using some key components—such as engines and gearboxes—common to RVI trucks the world over.

In the short term, RVI expects to produce about 70,000 trucks for the year, including the Mack vehicles, and around 40,000 in its French factories.

Costs cut in changed strategy

A CHANGE in the top management at Iveco, the Fiat-owned company which is Western Europe's second-largest beavy truck producer, look place last May and signalled a change in strategy.

Sig Giorgio Manina, managing director since 1980, bad reorganised the management systems and attempted to put Iveco firmly in the black by concentrating beavily on aales and marketing improvements.

But Iveco sustained a loss of Florins 232.6m (about £54m) —the company is registered in Amsterdam—for 1983 on sales of nearly £2bn.

Sig Glorgio Garuzzo, the new managing director, says world truck demand is unlikely to return to the 1979 peak and Iveco must cut costs to bring down tbe level of output at which it breaks even.

On the assumption that 1984 will have marked the low point in world demand. Sig Garuzzo feels 1veco should fix its break-even point at about this year's level of sales: 94,000 to 96,000 trucks a year, depending on the mix of llght, medium or beavy vehicles.

Sales last year were about 97,000 trucks. up from 93,000 ln 1983 and not far from the 1982 level of 98,000. Output was about 88,000, to allow atocks to be reduced. Production in 1983 was 97,000, np from 93,700 in 1982.

1veco closed a bus plant at Malnz, West Germany, in 1980 with the loss of 1,400 jobs and is shutting its medium-truck plant at Trappes, France, where 1,300 are employed. These are cuts inaugurated by Sig Manina before bis departure.

Sig Garuzzo Insists that no more large plant closures are under consideration. "We must just give attention to every part of each plant, something that is much more dlfficult."

Sig Garuzzo, aged 48, worked for Olivetti, General Electric and Honeywell before joining Fiat. He put together lts fragmented automotive components operations before becoming one of the joint general managers in 1982 with responsibility for group industrial activities.

1veco's workforce bas been cut from 48,000 to 37,000 in three years and Sig Garuzzo admits that more jobs will go. Tbere will not be a dramatic reductian "but we will be building more trucks wlth fewer people."

He stresses, however, that much of Iveco's basic phllosophy remains the same. It remains committed to being a full-line truck producer with a range from three tonnes to the beaviest weigbts permltted.

IVECO

And 1veco will continue to be a multi-national European producer with manufacturing facilities in West Germany and France as well as Italy.

1veco was formed in 1975 and brought together Fiat's commercial vehicle business—including Lancia and OM in Italy and Unic in France—and those of Magirus in Germany.

Fiat received a subatantial injection of engineering talent through the merger and gained access to German employees who would not wanl to work in 1taly.

On the marketing front the Idea that 1veco has "three bome markets" has particular attractions wben protectionism and nationalism can creep into the business.

Investments totalled Fl 379m in 1983, up from Fl 224m the previous year. Sig Garuzzo says capital spending and investments in research and development will continue at a bigh level.

Sig Garuzzo as yet shows no particular enthuslasm for Iveco's venture in the U.S. "We must go cautiously there," be maintains.

In 1983, the North American subsidiary sold 2,731 trucks, mostly Z range chassis-cabs, but some Magirus trucks, and was profitable for the first time since Iveco entered the market in 1977.

Last year a total of about 3,400 of the diesel-engined vehicles were expected to be sold in the U.S. wbicb should produce a profit of "some millions of dollars."

Once payment for the closure of the Frencb plant is out of the way, 1veco as a whole should pass the break-even point some time this year, says Sig Garuzzo.

Effort to build market share

MR STEN LANGENIUS, president of Volvo Truck Gorporation, says his company decided some years ago that its priority targets must be the developed markets because its highly-specified vehicles were unsuitable for Third World countries.

So Volvo has made its prime target western Europe, then the U.S. followed by the Middle East. Tbere is not mucb growth expected in any of these truck markets, so Volvo will concentrate on building market ahare.

In Europe, for example, Volvo's objectiva is to increase its share by 1 per cent a year. Mr Langenius admits there is no magic formula. "We will make progress by being slightly better than the competition in all departments; in trucks and in back-up service."

In 1983 Volvo falled ln that European objective because the West German market, where the group is weak, accounted for most of the increase in European beavy truck sales.

Volvo did not make any market share advance in Europe in 1984 either. With the other successful importers, it bas suffered at tha bands of Renault's determined effort to claw back sales in France—Volvo's French market penetration dropped from 13 per cent to 11.7 per cent. Mr Langenius says this means that Volvo's European sbare will have marked time ratber than move forward in 1984.

However, tbere is an entirely different story in the U.S., which was Volvo's most successful market last year. To spearbead its attack on there, Volvo acquired the assets of the bankrupt White Truck in 1981 for $75m and spent a further $50m on the company.

VOLVO

Mr Langenius said Volvo White Truck would make a "good profit" in 1984, the first time lt bas been in the black since the takeover

Output was recently boosted to 46 trucks a day, or an annual 10,000 and the company bas an order bank to justify staying at that level for some time.

Sales in the U.S. last year are reckoned to have reacbed well over 10,000, including between 8,000 and 8,500 from the U.S. plant. In 1983, Volvo sold 6,400 trucks there, of which 4,700 were produced locally.

If, as Mr Langenius predicts, the U.S. market for Glass 8 (beavy) trucks remains above 120,000 this year, compared with more than 130,000 ln 1984, he says Volvo-White will make a profit again.

The success in the U.S. will belp boost Volvo's world-wide truck production to more than 40,000 iasl year against 34,400 in 1983, "and we can bold output at over 40,000 ln 1985."

The U.S. business should also give Volvo Truck'a profits a boost—given the high value of the dollar. Volvo links its truck and bus in financial results, and ln 1983 these contributed only SKr 110m of the parent group's pre-tax profit of SKr 4.34bn ($537.1m). Return on capital for tbe truck and bus business fell from 14 per cent to 5 per cent.

No earnings for individual sectors were revealed in the half-year statement but the turnover of the truck buslness (excluding buses) to the end of June jumped by 57 per cent to SKr 7.583bn.

Volvo delivered 5,600 trucks in the Middle East during 1983—most of them to Iran. Where its trucks have been assembled by a local company for 12 years—and expected to sell a similar number in the area last year. However, Mr Langenius says the intake of orders has been growing weaker.

Volvo will continne to support its South American operations, which bave been througb a traumatic time. Volvo do Brazil bas cut production coats and is comparable with the group's other plants.

Truck operations in Peru have had a "very bad" 1984—but will be better than the previous year—because of low demand and low economic activity, he aays.

The group believes it must produce all the key elements in a truck's driveline—engine, gearbox and axles—to make a "better, more effective truck."

Investment and development spending on the truck operations reacb SKr 1.2bn in 1983 and Mr Langenius reckons his company needs to produce 35,000 to 40,000 trucks a year lo justify this.

Long awaited move into the U.S.

MR Georg Karnsund, president of Saab-Scania, says his company had its eye on the U.S. truck market—the biggest in the world—for 10 years. But Scania waited until it bad introduced a new truck range, one result of Saab-Scania's SKr 10bn (£917m) prodnct investment programme over the past five years, before making its move.

Mr Karnsund indicates that Scania is working out details of how its entry to the U.S. should be handled. One thing already bas been decided: Scania will go it alone rather than join a local partner like other Europeans in the U.S., simply because no suitabla U.S. company seems likely to want to join forces.

Two Scania test fleets have been operating in the U.S. for 10 years on long-haul work "and the companies using them want more," according to Mr Karnsund.

The Scania trucks to be sold in the U.S. will belong to Class 8—the beaviest truck class in the country with gross vehicle weights of 15 lonnes and npwards. They will be built in Sweden and fitted out for the U.S. market at the facility owned by Saab-Scania in Orange, Connecticut, near Scania's bus assembly plant.

In the initial stages of the market launch only a limited selection of the full Scania range will be imported to the U.S. and sales will be concentrated in the north-eastern

SCANIA

states. Work will begin this year on the setting np of a sales organisation.

Meanwhile, 1984 shaped np lo be a good one for Scania, whicb rebounded from a relatively poor performance in 1983. In 1983 it invoiced 19,200 trucks and buses, 15 per cent below the 1982 level; 1983 ontpnt was 18,500 vehicles.

Scania suffered from a drop in demand from two overseas territories in particular in 1983. It shipped 2,900 fewer trucks to Iraq and Turkey than in 1982. Assembly of trucks in Iraq, which has been at 2,000 or 3,000 a year, fell to below 30 in 1983.

However, Mr Karnsund reckons that total 1984 vehicle ontpnt bounced back by at least 25 per cent and exceeded 24,000.

He therefore looks forward to mucb improved earnings by the Scania division, which fell from 1982 levels in 1983 last year fell from 1982 ievels to an operating income of SKr 1.082bn. (1983 was the first year the figures were split in this way and no precise result was given for 1982.)

Scania has been looking at the niches in the west European truck markets that lt still has left unexposed. Last year expanded lts programme of trucks adapted to the special road conditions and regulations in certain countries, prodncing models for the UK and Australia.

The company also introduced models aimed at the building and construction industry, improving its prospects in countries sucb as West Germany, France, the Netherlands and Belgium.

Mr Karnsund maintains that Scania's output of key components now gives lt good economy of scale for a beavy-truck producer. Tha company has standardised on three engines, two gearboxes and three axles so it bas fairly good ontput per component.

And prodnctivity at the Swedisb plants is improving dramatically because there are fewer parts in the new truck range, and new manufacturing technology bas been Introduced. Prodnctian times In the cab factory at Oskarsbamn and at the cbassis assembly plant at Sodertalje have been cut by between 25 and 30 per cent in the past two years.

Mr Karnsund soys Scania expects to increase vehicle ontpnt this year only slightly "perbaps by 5 or 10 per cent," with the improvement mainly from trucks rather than buses.

In bis eight-montb report, last autumn he said truck and bus sales were np 26 per cent to SKr 5.599bn. Income was ronsiderably better than in 1983 becanse of bigher volume and better ntilisation of capacity.

"This means for the activities in Brazil and Argentina, last year's losses have ebanged into profits."

State aid backs progress

"THE DATE Spain joins the EEG is not important. What is Important is that Spain will go in and the tariffs protecting local manufacturers will be reduced progressively. All our strategic plans focus on that," aays Sr Juan Llorens, deputy managing director of Enasa, the Pegaso truck group.

At one time the Spanish Government belleved lt had solved the problem of wbat to do witb its beavy truck producer by selling Enasa to International Harvester of the U.S. But IH's financial difficulties stopped that.

The Spanish Government continues to own and support Enasa—via INI, the state industrial bolding company—because it is the only automolive concern in the country to bave its own, original technolegy. All the other companies rely on foreign partners.

The Spanish Government injected another Pta 12bn (about £53m) last year as part of a three-year programme costlng £4bn for restructuring "lame-duck" industries. It did so partly in recognition of the progress that Enasa appears to be making.

A Pta 2.5bn paint plant and the first phase of a technical centre, costing Pta 1.8bn, are on stream. Productivity is rising as jobs disappear. Slnce 1978-79 wben Enasa employed 12,500, some 3,000 jobs bave been elminiated. Last year the reduction was between 600 and 700, bringing the workforce down to about 9,200.

After heart-searching, the Spanish authorities permitted Enasa to make a key acquisition outside the country and in March lt bought Seddon Atkinson, based in Oldham, UK. No purchase price for Seddon, former International Harvester subsidiary, has been revealed but Enase needed to pump in an immediate £2m to get the Britisb business moving.

PEGASO

Seddon had been up for sale for two years and the uncertainty had not helped. Once Enasa took over, bowever, confidence returned. Seddon's output bas doubled from five trucks a day at this time last year and the company is marginally profitabla.

To gain scale economies, Enasa has searched for joint ventures. This year lt conclnded one with Daf of Holland to develop and produce a heavy truck (20 tonnes to 40 tonnes) cab.

Daf bad done most of the development work—tha total cost to be shared is about Florins 140m (£34m)—so the cab should be ready by the end of the 1990s. It will be suitable for use by Seddon.

Sr Llorens reckons about 18,000 cabs a year would be required. Each company will do its own final assembly and trim to "individualise" its own version of the cab.

Enasa is attempting to find two or three partners to share the development and production of e medium-truck cab (16 to 20 tonnes). And the Spanish group is in discussions with companies, including Bedford, the General Motors' subsidiary in the UK, about a possible joint venture to produce vans in Spain.

Sr Llorens says his company cannot afford to develop a replacement for its J4 van and has in mind a licensing deal, or preferably a joint venture company which would use some Spanish components.

Enasa produced about 3,000 of the J4 vans last year, significant volume for a company which will have a total vehicla ontput of between 10,000 and 11,000 for 1984, but not enough to justify the investment to develop a new product of its own.

Enasa's vebicle outpnt for 1984 should be 10,000 to 11,000—including military trucks, 3,000 vans and 1,600 buses. Buses are very important to Enasa, whicb has 70 per cent of its domestic bus market and many on the road elsewbere.

Major hurdles cleared

DAF, which chairman Mr Aart van der Padt describes as "the smallest of the truck manufacturers which really count," cleared three important burdles in the past year.

First, the 37.5 per cent International Harvester sharebolding in Daf was safely picked up by a Dutch consortium. This included Daf the van Doorne family trust (Hub and Wim van Doorne founded Daf in 1928), tbe Netherlands Investment Bank and the State-owned Dutcb State Mines.

This increased the involvement of the Dutch Government in Daf, because Dutch State Mines already had 25 per cent. Tbe van Doorne trust bad 37.5 per cent.

Second, a Fl 600m financial package was agreed to cover a six-year product renewal programme and investment in advanced production methods. About Fl 400m will go towards renewal of the truck range and the rest for production changes.

The Dutcb Government bas provided about Fl 200m. In view of Daf's importance in Belgium, where it bas a cab plant at Westerlo, the government there has given guaranteed a BFr 2.8bn loan by Belgian banks. The balance of Fl 250m will be found internally.

Mr van der Padt stresses that Daf is not receiving Dutcb government grants. The development cash must be repaid from profits on new products.

"The Government has never put money in to Daf to financa losses. We bave avolded thal and will avoid it in the future. We would lose our freedom as a management."

The third important step was the completion of a deal with Enasa, the state-owned Pegaso trucks group of Spain, for the joint development and production of a cab for vehicles of 14 tonnes upwards.

The cost of Fl 140m will be sbared—although Daf bas completed much of the development already — and the cab shonld be in production before the end of the 1980s.

A 50-50 joint company called Cabtech has been established at Eindhoven, Holland, to finish tha development and a team of Spanish engineers have joined Dutch colleagues. Daf and Enasa will each produce half the cab shell parts to gain maximum economies of scale. One estimate is that 18,000 cabs a year will be required. Each company will do its own final assembly and trim to "individualise" the cab.

DAF

Mr van der Padt says his company is seeking co-operative deals on a wide range of key components such as engines, axles and transmisisons to gain the advantages of economies of scale available to bigger rivals. But Daf insists on retaining its own identity and engineering capability. Preservation of jobs in Holland would be a major factor.

Last year, Daf's sales rose from Fl 1.65bn to an estimated Fl 1.8bn to Fl 1.9bn and the company returned to profit after a Fl 26.99m loss for 1983 and recorded a net profit of about Fl 8m.

Production rose from 11,685 in 1983 to 13,645 vehicles. Some 14,240 vebicles were delivered to customers, compared with 12,510, enabling stocks to be reduced by 11 per cent in 1984.

Changes at the Eindhoven assembly-plant, will boost the present two-shift capacity of 65 trucks a day by 10 to 15 per cent, or to around 17,000 a year. Engine output is about 80 a day.

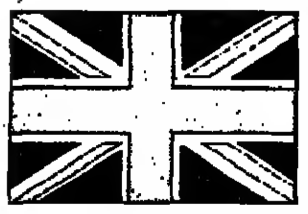
Mr Van der Padt says that although the truck manufacturing industry can be expected to go through another rationalisation, Daf will not be among those to disappear.

"We have done better than most of our rivals financially," he points out. "Wa live from our truck bnsiness and are expanding. Other, bigger companies, have been making losses for many years and are contracting."

Commercial Vehicles 6

Here and on the facing page, FT correspondents review market trends in the principal vehicle manufacturing countries

Not much cause for optimism



United Kingdom

THE GLOOM which bas shrouded much of the UK commercial vehicles industry since 1980 is beginning to lift. But it is a slow process. Fierce price competition on the domestic market and the continuing absence of any upturn in Third World export markets on which mucb of the UK industry'a welfare has been based in the past, give little cause for optimism about the industry overall making a quick return to profits.

Within Europe, the UK has proved particularly vulnerable to the competitive pressures. All European manufacturers have been hit by the virtual disappearance of overseas sales, so they have looked within Europe to see bow they might compensate.

With the UK's high manufacturing cost base, and a bigher pound — thanks to oil — than is merited by the country's underlying economic performance, it has inevitably been a soft target for Continental importers to increase their market penetration, by discounting to levels which have made life very tough indeed for domestic producers.

The recent fall of sterling against most Continental currencies bas ameliorated, but by no means eradicated, the problem.

There is no sign of the price war letting up. According to M Pierre Semerena, until last month president of Renault Vehicles Industriels (wbicb now owns 90 per cent of Renault Truck Industries, the Dunstable-based heavy truckmaker formerly known as Karrier Motors) "everyone is losing money in the UK."

During the past three years, the UK's list prices of heavy trucks have become the lowest in Europe, says M Semerena, "and there are huge discounts from that base."

Mr David Hurst, Ford of Britain's director of Truck sales, agrees. As far as Ford can tell, he points out, not one European company is making a profit on heavy truck sales—"Mercedes and Volvo come closest."

The consolation, though a slight one, is that the volume of UK sales of trucks "proper" (ie, those with grosa vehicle weights of over 3.5 tons) are continuing the slow move upwards which began early last year.

At the bottom of the trough in 1981, only 44,950 were aold—the lowest for more thao 30 years and contrasting with 80,000 in 1979 (though that was an atypical boom year). In 1983, 49,500 were sold—and the final outturn last year was 52,820.

This year, forecasts the Society of Motor Manufacturers and Traders, the UK market sbould more closely resemble a "normal" year—at about 60,000 units. That estimate, bowever, is conditional upon a resolution of the miners strike and an improvement in general business confidence. Some manufacturers take a more cautious view, with Ford suggesting it may not exceed 55,000 vehicles, and Bedford indicating 58,000.

Discounting

The trouble is that the emergence from recession in heavy truck markets elsewehere in Europe is lagging bebind that of the UK. And with all manufacturers keen to fill ont as mucb under-utilised capacity as possible, because of their bigh fixed costs, it is quite likely that the growth potential in the UK will provoke fiercer discounting as they chase after it.

As might be expected, one result has ben a ateady increase in the share of the British market taken by imports: in 1981 they accounted for 22.6 per cent of the over 3.5 ton sector. This had climbed to 31.7 per cent by the end of 1983, and to 34.5 per cent last year.

Tbe various factors combined to create a situation in which, for the first time, the UK's balance of trade in commercial vehicles—including car-derived and purpose-built vans — plunged into the red in 1983. Exports dropped to £439m from £518m and imports jumped to £575m (£417m).

W. European trucks and buses [over 3.5 tonnes]

	Pro-doction 1983	Regis-trations 1983	Pro-duction 1982	Regis-trations 1982
Mercedes-Benz	127,229	55,396	140,909	48,640
Iveco	71,813	35,433	74,715	34,752
RVI	43,782	28,092	54,566	30,529
Volvo	33,671	14,175	33,540	13,753
Ford	27,447	14,127	32,582	14,377
Scania	23,875	8,722	20,903	8,528
Bedford-GM	16,625	7,227	18,429	7,945
MAN	15,848	11,645	20,013	9,983
Leyland	14,818	9,604	15,845	8,459
DAF	11,312	10,245	12,879	9,587
ENASA	10,639	5,867	10,866	5,783
Motor Iberica	7,566	6,490	9,407	8,037
Volkswagen	5,250 with MAN		3,273 with MAN	
ERF	1,536	1,237	1,736	1,348
Seddon Atkinson	1,264	1,538	1,821	1,718
Others	16,914	22,465	7,606	22,050
	429,587	232,263	459,090	225,489

Source: Automotive Industry Data Yearbook

The overall gap was cut by 9 per cent in the first half of 1984, with a sharp improvement in the second quarier. However, this was due mainly to a 69 per cent increase in exports of light commercials and a reduction in imports brought about as a result of the IG Metall strike in West Germany. Heavy truck exports were still 20 per cent down on the same period of 1983.

BL's commercials output was down 19.7 per cent in the first half — mainly due to a fall of 35.6 per cent in its car-derived van sales, from 14,103 to 9,084, as the market awaited launcb of the Maestro van to replace tbe aged Morris Ital design (Morris bas now also been consigned to BL's nomenclature graveyard).

Its purpose-built van subsidiary, Freight Rover, also saw output fall by 7.5 per cent, from 9,604 to 8,862. But this reflects the fact that British Telecom, whicb takes anything up to 3,000 Sherpas a year, was placing its major orders at the end of the year not—as in 1983—at its beginning.

Finally, Leyland Vehicle's, BL's heavy truck making arm, could attribute a 5.75 per cent first half output drop—to a very depressed 5,985—at least partly to stoppages earlier last year over the decision to close the Bathgate plant in Scotland.

Leyland is expecting significant production and sales gains from the launch last September of its long-awaited Roadrunner truck, offered in weights of 6.2-10 tonnes, but with the expectation that sales will concentrate heavily around the 7.5 tonne break point above which an operator is required to have a heavy goods vehicle licence.

Leyland expected to sell 1,600 Roadrunners in the UK by the end of last year, and 3,000 in 1985. Its importance to Leyland hardly needs stressing: it is competing in a sector which accounts for 30 per cent of all over 3.5 ton truck sales.

Bedford, despite losing £50m last year, appears to be gaining the increased confidence of the U.S. executives who preside over GM's world truck and bus operation, of which Bedford is now a part.

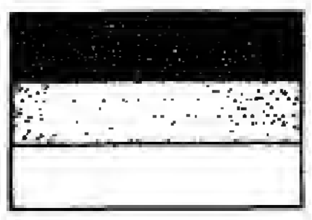
Both Mr James McDonald, GM's president, and Mr Charles Katco, the recently-appointed bead of truck and bus, during visits in the past few months, have been at pains to praise the progress on productivity made by Bedford and to provide assurances that it will have a significant part to play in GM's plans to creata a range of "world" trucks, vans and buses.

One manifestation of this is Bedford's launcb this month of the Midi van, built only at Luton. It is a one-tonne van based on an Isuzu design, on which Bedford bas spent £20m to re-engineer the product and £50m on new facilities to produce it.

ERF, the last independent UK heavy truckmaker, has seen its fortunes improve considerably, to the point where its chairman, Mr Peter Foden, insists that it now has a viable future.

John Griffiths

Prospects remain uncertain



West Germany

PEERING INTO the future, executives at West German truck manufacturers see a gently rising curve representing overall West European sales for medium and heavy trucks in the next few years. However, they expect to remain below the peak of a few years ago.

In the Middle East, a lucrative market for West Germans not long ago, truck prospects are uncertain, clouded partly by the war betweeo Iran and Iraq.

Latin-American markets seem to be picking up — a boon to Daimler-Benz, with operations io Brazil and Argentina — although the market recovery is from a deep trough. In the U.S., truck sales have also revived, giving a lift to Daimler-Benz's Freightliner subsidiary.

With this sort of terrain ahead of them, West German commercial vehicle manufacturers are proceeding cautiously, and keepiog a sbarp eye on each other and on foreign competitors. But after adjusting to the serious setbacks of recent years, they are confident of their basic strength.

Daimler-Benz, for instance, notched up a slight iocrease in its overall commercial vehicle production worldwide last year, with a further drop in its West German output offset by a recovery of about a third in its output abroad. It is also building up operations in Turkey and bas its eye on possible ventures in Egypt and China.

At the same time, MAN has made major progress in overcoming the problems which hit its truck, bus and marine diesel engine operations.

Iveco Magirus, part of Italy's Fiat concern, has also set its sights on improved results after restructuring measures and job cuts aimed at stemming heavy losses.

Within West Germany, production of all types of commercial vehicles, including buses, reached a peak of 357,620 in 1980. The total has steadily fallen as markets have been hit by recession, international debt problems and falling revenues in oil-producing countries. In 1983, production fell below 300,000 for the first time since 1978 and showed a further substantial decline last year.

Fortunes have varied for different types of commercial vehicle. Grouping all trucks and vans together, production slipped from a peak of 314,985 in 1980 to 257,335 in 1982 but edged up to 259,185 in 1983 aided by domestic revival. While output of car-derived vans increased, larger trucks have registered a drastic decline.

In the worst-hit sector, production of the heavy-duty trucks of 16 tonnes and over fell from a peak of 63,500 in 1981 to 48,870 in 1983, followed by a further drop last year (27,100 in the first ten months of the year).

Sales of vans and trucks in West Germany recovered in 1983, when new registration rose 19.4 per cent to 115,725—still well below the peak of 143,740 in 1980. The market was boosted by government incentives to stimulate the economy, but it has weakened again as the incentives have run out, with new registrations to the end of last November down 5.3 per cent.

W. Germany

	1980	1981	1982	1983
Production†	357,619	319,200	301,229	292,910
Production	314,983	272,474	257,333	259,185
New registrations	143,741	118,973	96,951	115,724
Exports	181,516	168,898	170,176	156,311

† Including buses

Source: W German Automobile Industry Association (VDA)

Truck and van exports, which reached a peak of 181,515 in 1980, were down to 158,310 in 1983 and lagged even further behind last year.

With markets suffering a severe knock, MAN ran up heavy losses and has embarked on rationalisation measures, including cuts in its workforce, to lower substantially its profitability threshold. The company and its truck and bus division expect to start breaking even again in the current financial year to next June 30.

"We have very difficult years behind us," says Herr Wilfried Lochte, board member in charge of MAN's trucks and buses. But he adds: "We have certainly overcome the greatest part of our problems."

Herr Lochte expects MAN to produce about 22,000 commercial vehicles, mostly heavy trucks, this financial year—an increase from 19,000 in the year to last June, although below the 25,000 of a few years ago. The company aims to export about 15 per cent outside Europe.

"Our market share is improving," he says. In trucks of 9.6 tonnes and more, MAN had a market penetration in West Germany in 1982 of 22.2 per cent, in 1983 of 24.3 per cent and in the first 10 months of last year 25.7 per cent.

As part of its rationalisation, MAN is building up its Salzgitter plant and is moving operations there from its Brunswick factory. It has also been holding talks with Volkswagen on making Salzgitter the sole assembly site for their joint van in the 6 to 9 tonnes range, though VW has shown a lack of enthusiasm for such an idea.

Production of the joint vans has been running at between 3,000 and 4,000 a year, with three-quarters of them being assembled by VW's Hanover plant and a quarter in Salzgitter.

"It does not make much sense to have assembly of 4,000 vehicles in two plants," says Herr Lochte. "The most important element of the co-operation is that each partner has to manufacture and supply about 50 per cent of the whole content. The assembly activity is no so important."

MAN is pursuing efforts to build up links with other vehicle manufacturers to find outlets for its parts and components—ont op of the links it already has with such producers as Daimler-Benz. This has led MAN and the GHH parent group into discussions with General Motors of the U.S. and its Bedford subsidiary in the UK.

MAN has insisted that the discussions were to investigate possibilities of exchanging components and parts. "We intend to find more users than in the past for our parts and components," Herr Lochte says.

Both Daimler-Benz and MAN have been holding talks with the Chinese about truck co-operation.

As a result, MAN signed a deal late last year with China North Industries Corporation (Norinco). The Chinese are to build a rangeo f heavy trucks under licence from MAN and the West German group will supply kits for assembly and give technical advice.

MAN said that agreements with the Chinese so far involved shipments of kits worth about DM 50m ($15.6m).

Daimler-Benz has been discussing lately a possible project involving assembly of perhaps 10,000 to 15,000 heavy duty trucks a year in China. "It would not end with pure assembly, but would have to go into local content," says Herr Michael Bassermann, Daimler-Benz is pursuing other commercial vehicle projects abroad.

In Egypt, Herr Bassermann says, Daimler-Benz is still going through the relatively complex procedure of obtaining all necessary approval for a joint venture operation to manufacture buses and medium and heavy trucks.

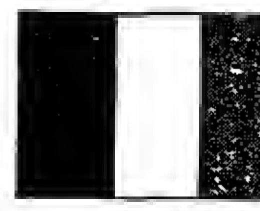
In Turkey, the company is going to extend its local joint venture from bus operations into truck and engine production. Daimler-Benz's Saudi Arabian agents are also involved in this project, as well as Turkish partners.

Talks about a possible licensing deal for assembly of light and medium weight trucks in Mexico, however, did not produce an agreement.

Worldwide Daimler-Benz has scaled back its truck output since its peak years of 1980 and 1981. But foreign commercial vehicle production recovered by about a third last year to about 62,000. Even though output in West Germany fell from 157,400 to about 143,000, the group's total commercial vehicle output (including buses) was kept up to about 211,000.

John Davies

All eyes are on Iveco



Italy

THE EYES of all operators in the Italian commercial vehicle market are, more than ever before, on Iveco, the industrial vehicles subsidiary of Fiat. They want to see what changes will be made by the new management which was installed at the Turin-based compaoy last year.

The fact that a new managing director, Sig Giorgio Garuzzo, was appointed to replace Sig Giorgio Manina, who had run the company since 1980, reflected in part the problems caused by the disastrous slump since 1982 — in the Italian commercial vehicle market — A slump which led to serious difficulties for the other companies selling lorries in Italy.

Iveco is the only major Italian manufacturer of commercial vehicles. It includes the industrial vehicles marques of OM and Lancia and makes about 600 basic models — not just in Italy but also in West Germany (where Iveco owns Magirus) and France (where it includes Unic).

Apart from Iveco's sister company Fiat Auto, which makes vans, the only other maker of commercial vehicles in Italy is Alfa-Romeo, which operates on a very small scale.

The Italian commercial vehicles market takes about one-third of Iveco's output, so the significance of the slump which hit that market in 1982 can easily be imagined. In 1982 the market fell by 25 per cent.

There was a further drop of 20 per cent in 1983 and in the first half of 1984 the market fell by almost 23 per cent compared with the first half of 1983.

In spite of this depressing background, Iveco actually increased its share of the Italian market from about 53 per cent in 1982 to 60 per cent in 1983. Again that has been retained ever since. Iveco managed to sell 32,627 units in Italy in 1983 year and had sold 17,203 in the first eight months of last year.

Iveco argues that in these very difficult conditions it has been helped by the fact that it has a very wide range of products of all types and sizes, so that even wheo customers switch from large to smaller vehicles, Iveco still has something to offer.

Iveco's competitors tell a rather different story. They say that Iveco's acquisition of increased market share in Italy is due mainly to ruthless discounting with which the Turin-based company's rivals could not compete.

They say that Iveco trucks have frequently been sold at little more than cost, and they point to the failure in 1982 of one of the biggest Iveco dealers in Milan as evidence.

Renault tried to match Iveco's discounting strategy but lost — seeing several of its dealers going under and losing market share as well.

Mercedes, on the other hand, banked on its very strong reputation and largely stayed out of the discounting battle, broadly retaining its market share. Ford gave some discounts but continued to sell its cargo trucks on a small scale, as well as the heavy Transit 190 vans which compete with the Iveco Daily.

Figures on market share in the commercial vehicles market are endlessly disputed. They are based on the manufacturers' estimates rather than on registrations—since the registration process in Italy is so slow—and there are tricky problems of definition.

However, Iveco's own figures for market shares for the first eight months of 1984, embracing both industrial vehicles and large vans, give the Fiat subsidiary a 60.5 per cent share. Next comes Ford with 8 per cent—although the company itself says that if you leave out the Transit 190 van the share is only 2.8 per cent.

Then there is *Mercedes* which Iveco gives 6.1 per cent (the company would not give figures of its own). Renault had 3.8 per cent. Other manufacturers all had less than 3 per cent.

Iveco's rivals now want to see whether Sig Garuzzo, the new Iveco boss, changes the company's marketing strategy in Italy and perhaps gives those that are losing money the chance to make profits again. So far they have seen little sign of change.

For Iveco itself the hard won gains of market share on the Italian market appear likewise to have done little for profits. Declining sales in Italy have been matched in the past three years by a disastrous slump in the company's once strong markets in the Middle East and North Africa, and by the shaky performance of most European markets.

In 1983, Iveco produced 93,600 vehicles in Europe, slightly up on the 1982 figure of 92,700 but well below the peak year of 1980, when 112,800 vehicles were made.

In consequence, the Amsterdam-registered company made a loss of Fl 232.6m in 1983 (L125bn), having made a very small profit in 1982 of Fl 18.4m.

James Buxton

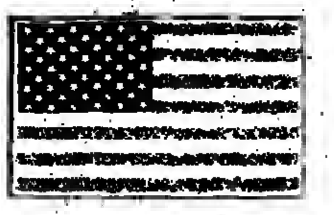
U.S. truck production

	GMC & Chevrolet	Ford	Chrysler (Dodge)	AMC (Jeep)	VWA	Int. Harvester	MACK	Nissan	Mercedes-Benz	Others	Total U.S.
1979	1,352,475	1,032,115	302,995	134,625	2,405	115,455	35,940	—	—	41,835	3,053,035
1980	688,740	581,505	118,230	80,810	28,390	67,855	23,390	—	1,215	32,300	1,638,360
1981	723,590	617,375	98,240	92,250	37,390	62,860	20,090	—	2,865	30,320	1,689,780
1982	896,940	713,425	121,915	85,470	8,085	45,110	14,245	—	2,005	24,900	1,912,100
1983	1,128,945	931,480	147,670	113,265	2,080	51,680	12,485	19,980	3,010	33,050	2,443,635
1984	1,238,500	1,094,965	197,820	174,975	—	70,045	24,715	92,500	2,990	43,280	3,939,790

First 11 months

Research: Rivka Nachoma

Year of record figures



United States

THE U.S. commercial vehicle manufacturers will want to forget the early 1980s—the period which brought International Harvester to its knees quickly. But most will cherish the memory of 1984, when sales moved into the second year of cyclical expansion and many manufacturers began to chalk up record figures.

The rebound for some of the lighter weight categories began in late 1982, but for the heavier vehicles the impact of the turn in the economy was not felt significantly until the middle of 1983.

Growth has been all the stronger because of the depth of the recession: a three-year slump in truck sales is itself unusual, but it was made even worse by the fact that at the bottom, in 1980 and 1981, manufacturers were making only half as many vehicles as in 1979. They are recouping the volume losses, with the result that 1984 looks as though it could be a record year.

By the end of last July, commercial vehicle sales had reached 2.3m an increase of 42 per cent over 1983's 1.6m, and slightly better than the 2.25m record set in 1978. Light truck sales jumped by 42 per cent to 2.17m, medium-weight products by 15.2 per cent to 27,000, and heavy trucks by 54.7 per cent to 106,000.

Perhaps the most remarkable aspect of this growth has been the extraordinary strength of sales of lighter weight trucks and vans. This was a sector popularised by the Japanese, who caught a wave of fashion in California by introducing vehicles which were both utilitarian and recreational. Indeed, Nissan, the second largest of the Japanese companies, chose to concentrate on these small commercial vehicles in its initial manufacturing investment in the U.S.

The U.S. producers have taken the lead from the Japanese and further encouraged sales by launching their own models — in particular the General Motors' S series and Chevrolet Blazer, and the Ford Ranger and Bronco. As a result, the Japanese have sharply lost market share.

These vehicles give the impression of hybrids between vans and cars: clearly stronger and more durable than passenger saloons, and maintaining the high driving position of a van, but marrying this with the comforts of a car.

Brand loyalty

They are also highly youth-oriented, with about 36 per cent of sales to buyers under 30 years of age, against only 24 per cent of all cars. This trend partly explains the concentration of the U.S. producers on this sector, since the aim is to capture brand loyalty as early as possible.

Chrysler has drawn on this trend towards multi-purpose vehicles with its mini-vans, launched almost a year ago. The Chrysler product is no larger in floor area than its conventional mid-range saloon cars, but it is much more roomy inside, capable of seating up to seven in comfort, and converting into a couple of overnight beds.

Consumer response has been so enthusiastic that everyone is following Chrysler into the market, which Mr Lee Iacocca, chairman of the group, can claim as a great marketing success as the Mustang which he launched at Ford.

The mid-weight category of the commercial vehicle market has proved the main disappointment, with registrations still less than half the peak year of 1978. But heavy trucks had excellent sales last year, running only just behind their records at the seven-month mark.

This rebound has helped International Harvester, which has returned to healthy profits on this side of the business. After the financial devastation of the last three years, it is a much slimmer group, and will probably make fewer than 80,000 vehicles against about 115,000 five years ago. But this will still be much higher than in the intervening period.

The recovery has led to an even stronger performance at Mack, the group in which Renault of France has a stake of just over 40 per cent. Mack, however, may fall short of its 1979 production level of 36,000, because of a dispute over a new three-year pay contract. The company has some flexibility because the stoppage comes at a time when it intended to trim output.

But a long dispute could be damaging at a time when its finances have been depleted by losses of around $70m in the last three years.

The most interesting developments in the heavy truck sector, however, are not among the domestic producers. Over the last few years, new challengers have gradually been establishing themselves in the North American market, building up distribution chains and working out strategies to attack the market. Among the most aggressive are two European companies, Daimler Benz and Volvo, and some Japanese concerns.

After several years of trial and error, both Daimler and Volvo decided in 1981 to take the bull by the horns and establish themselves in the market by buying out local companies. Volvo picked up some of the assets of White, including a manufacturing plant, while Mercedes—which had earlier had links with White—took over Freightliner in Oregon.

Both have taken a gradualist approach, basing sales on existing products in the companies taken over, but steadily introducing elements of their own European lines. The intention is to introduce more European technology.

Kits

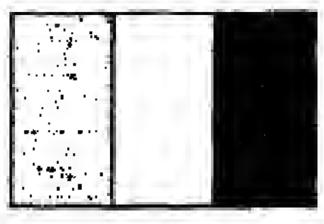
Daimler Benz, for example, began in the U.S. about 10 years ago, importing directly. But in 1980, it started local assembly from kits brought from its Brazilian subsidiary. It has grafted Freightliner onto this enterprise, and is looking at the possibility of putting its own components into the Freightliner range.

On the basis of a combined U.S. produced and imported sales, Mercedes is the largest of these foreign manufacturers. Registrations were running at a little over 900 of its own vehicles at the half-way mark, plus a further 7,250 of the freightliner models. Volvo had sales of 880, along with 3,400 White models.

Hino, the leading Japanese heavy-truck manufacturer, has gone a different route, using its base in Florida to assemble vehicles made in Japan. It has limited sales in the U.S. and its longer-term manufacturing aims remain to be seen.

But it is widely believed that Hino's arrival is the harbinger for a much broader-based assault by the Japanese on this part of the vehicle market, about the only sector that they have not tackled in the U.S. Nissan Diesel, Isuzu and Mitsubishi are said to be interested.

Terry Dodsworth



France

Recovery after the price war

AN ATMOSPHERE approaching normality has started to return to the French commercial vehicles market. The sector has been recovering from a price war of ferocious intensity which left all the main manufacturers in an even more battered financial state than before.

The battle reached a climax when Renault Vehicules Industriels (RVI), the large truck subsidiary of the French state-owned Renault car group, decided to react with a vengeance to the price discounting of its main rivals on the French market. RVI had seen its share of its main market drop from 40 per cent in 1982 to 36 per cent in 1983.

At the same time, its principal competitors saw their share of the French market rise, with Mercedes moving last year to a little over 20 per cent, Fiat-Iveco to 18.8 per cent and Volvo to 10.7 per cent.

Renault felt it could not allow its share of the domestic market to drop any further and decided to pull out all the stops to regain what it regards as an acceptable level of more than 40 per cent with the eventual target of 45 per cent. Although the sector has described the battle that followed as "collective suicide" by all the manufacturers, RVI has succeeded in regaining 42 per cent of the market.

"RVI has—thanks to its overall actions—regained what it had lost as a result of the price war, nothing more, nothing less. And we don't claim to be any more wise nor any more crazy than our main competitors," said M Pierre Semerena, RVI chairman.

He confirmed that the situation was now "a little closer to normal." But prices on the French market, although improving, continue to be well below those of some other big European markets.

Paul Betts

Output up 11 per cent

AFTER THE sharp dip in production in 1982, Japan's output of medium and heavy trucks over the first nine months of 1984 staged a strong recovery. Output was up by almost 11 per cent and likely to reach a record 940,000 units by the year end.

While home demand faltered in the wake of the 1979 oil price shock, Japan's heavy truck producers — basically Hino, Nissan Diesel, Mitsubishi and Isuzu — stepped up their efforts overseas. Spiralling sales to the markets of the Middle East, Africa and South-East Asia combined to carry sales forward to a peak of almost 930,000 units in 1981.

Demand, however, was largely focussed on trucks of up to six tons carrying capacity. The over nine-ton sector has declined sharply since 1979, reflecting poor demand from Japan's depressed construction industry. When a more broad-based recession hit prime export markets in 1982, demand in North America and Africa also dwindled, and truck production fell back sharply as a result.

It was an improvement in domestic orders for medium trucks (four tons carrying capacity) and heavy duty rigid trucks (eight tons capacity and over) which began the recovery in production in 1983.

This reflected a revival in Japan's long-distance freight transport industry, and the beginnings of a recovery in construction activity. Together, these developments outweighed marked rationalisation by the country's freight hauliers which had killed off many single truck operators.

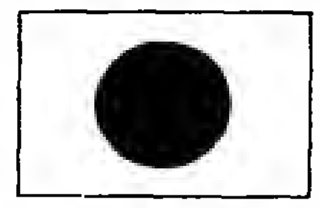
Now some relaxation in the Government's fiscal austerity programme is bringing increased spending on capital works. The industrial private sector is performing strongly and a cyclical surge in replacement demand for trucks is coinciding with some recovery in exports to produce record production levels.

Over the first nine months of this year, the domestic market for medium and heavy trucks is up by almost 12 per cent and a year end figure of 126,000 sales is now in prospect. Discounting remains prevalent.

I the form of car-derived vans, light vans and pick-up trucks, Japan rapidly established a global presence in the wake of its passenger car exports. In the medium-heavy truck sector, however, progress has been more modest in developed markets.

The recent slump in demand by the major markets has heightened competition and reduced margins — particularly unfortunate for Japanese producers who have the added problem of a strong yen. Further to this, the Japanese truck—still basically designed for the domestic market — has encountered some problems in securing market acceptance in a number of industrialised countries.

In Hino's FD series truck, for example, the cab is neither what is conventionally identified as "short" or "sleeper." A valuable and almost 0.5 metre is lost



Japan

if it is used as a short cab. Japanese sleeper cabs tend to have single — driver only — facilities.

Judged by Europe's competition, front axles are often weak, torque is low and turbo engines have not been as widely available. Whereas vans may be distributed through existing car distribution facilities, heavier trucks require a separate sales network with complete service and support back-up for international freight operations.

The downturn in domestic demand, however, prompted Japan's producers to adopt a more forceful stance overseas. First, exports to the developing markets were topped up. There were further inroads into China and India. More overseas assembly bases were established and first tactical moves — including joint ventures — were made towards the U.S. and Europe. It is this last development that is expected to yield greatest results from 1988.

For 1984, however, the major market remains the Middle East, notably Saudi Arabia, Iran and Oman. Algeria and Libya are important customers in North Africa. The principal market in South-East Asia is Thailand, but this is rapidly being eclipsed by deliveries to China.

While Europe takes 23 per cent of Japan's total vehicle exports, it accounts for just over 7 per cent of its truck exports. Japan's medium and heavy truck exports have risen from 275,900 in 1979 to 314,225 in 1983 and 246,695 for January-September 1984, according to JAMA. Year-end exports for 1984 are expected marginally to exceed 336,000 units — a 7 per cent improvement.

Ian Robertson

Truck Production by Loading Capacity

	3-4 tons	5-6 tons	7-8 tons	9-10 tons+	Tractors	Special purpose vehicles	Total
1979	629,285	34,850	15,775	75,640	10,225	4,980	770,755
1980	745,265	50,360	18,140	55,245	10,430	5,765	885,200
1981	794,195	52,310	17,460	51,460	8,115	5,375	928,915
1982	700,545	33,020	12,450	44,065	12,455	4,685	807,225
1983	757,040	31,080	9,300	45,710	6,455	3,945	853,530
1984†	—	—	—	—	—	—	709,550

† January-September.

Source: JAMA.

Japan's leading manufacturers—1983†

	Production	Domestic registrations	Exports
Hino	47,845	31,010	15,945
Isuzu	44,495	27,450	18,340
Mitsubishi	39,885	28,150	14,350
Nissan Diesel ...	30,800	18,150	12,395

† Medium/heavy diesel trucks with payload over 3.5 tons.

Source: JAMA.

Divided attitudes to joint ventures

The industry continues to be divided on the merits of joint ventures. Iveco endorses the idea, while Mercedes-Benz takes a different view

A TRUCK manufacturer producing 1,000 vebicles a year would bave an average unil cosl 50 per cent higher tban a manufacturer producing 100,000. One making 10,000 would still bave a unit cost 32 per cent higber.

And at tbe other end of the scale, an indusiry giant like Daimler-Benz of West Germany would have a unit cost only 85 per cent that of even the 100,000 a year manufacturer

Even so, the commercial vehicles industry continues to be divided on the detailed merits of joiot ventures. Some manufacturers, notably Iveco, Europe's secood-largest truck producer, bave espoused the concept with enthusiasm. Olhers, like Dalmler-Benz, retaln a firm belief in a higb degree of vertical integration and lhe continulng capacity to develop all major components in house.

Daimler-Benz, with a worldwide presence in truck markets, can afford better than most to adopt this view.

These are some, at least, of the conclusions reached by Professor Garel Rhys, the Cardiff-based economist who advises the Commona on motor industry affairs and who was appointed recently to the UK's first chair of the industry.

The statistics, contained in a paper, Heavy Commercial Vehicles: A Decade of Cbange, help to illustrate precisely wby the odds bave ao consistently leogthened againsl small manufacturers' survival and highllghl wby industry pressures have mounled for joinl venlures as a means of lowering the unit cost of major components such as engine, transmission, axles, cabs and olher parts.

Bul then very few manufacturers even come close to Prof Rbys' calculations of lbe optimum level of production to reap maximum ecooomies of scale: 200,000 units a year for cabs, 40,000 for chassis frames, and 200,000 for engines.

Even General Motors during the past year has been showing firm signs of wanting to expand collaborative projects beyond the initial world truck and bus programme it set up at Pontiac, Michigan, a few years ago. This currently links its UK subsidiary, Bedford, and Isuzu of Japan — in which it has a 36 per ceot stake — with its U.S. and Brazilian truck operation aimed at creating common vebicles for all major markets.

Recently, for example, GM bas been in talks with MAN, the West German heavy truck maker, on possible collaboration, and with Eoasa, Spain's principal commercial vehicles producer, on Enasa making a GM van under licence. However, the details of both possible ventures remain imprecise.

Mr Charles Katco, appointed last year as executive vice-president in charge of the GM "world" commercials operation, said during a visit to Bedford: "With both MAN and Enasa, we are looking at all the opportunities which may exist—but we have not reached any definite conclusions."

However, he set the tone for GM's overall approach to collaboration in declaring that the corporation "will look at all possibilities, with any company, where there might be developments of mutual benefit."

With fully-developed "world" trucks still several years away, tbe type of collaboration at least being considered between Bedford and MAN could be seen as making sound economic sense, given Prof Rbys' figures.

It is possible that Bedford will take front and rear axles from MAN; Bedford truck cabs might be supplied to MAN. Considerable cost savings could be expected to follow, as eacb produces only about 16,000 heavy trucks a year.

And there are pressing financial reasons for doing so: Bedford made a £50m loss last year, wbile MAN's was £89m ln its financial year to mid-1983, although its losses have fallen since by aboul a third.

MAN is one of the few companies with wbicb Daimler-Benz does collaborate, the two companies baving exchanged axles and engines for some years. However, MAN was ordered by the West German Cartel Office to end the arrangement by the close of last year—MAN can act now only as a supplier—so MAN has further good reason to seek out other partners.

Collaboration within West Germany has also extended to Volkswagen and MAN. Since the end of the 1970s they have been jointly producing trucks of 6-11 tonnes, the MT range, and share distribution in some countries. VW makes the cabs, rear axles and gearboxes; MAN the engines, frames, front axles and special bodies.

At the other eod of the scale, the small UK heavy truckmaker, ERF, with an output of about 2,000 trucks a year, had also been seeking low-cost access to extra volumes by means of a collaboralion deal with Hino, the Japanese truck maker. Under it, ERF would have produced trucks of about 13 tonnes based on a Hino model, but with a minimum UK content of 60 per cent.

ERF blames a stronger yen for having to shelve the agreement indefinitely. But illustrative of its strong concern about costs, it has standardised its heavier truck production around Cummins engines, Rockwell axles and Fuller gearboxes raiher than offer as a matter of course any combination from a variety of suppliers which customers previously had cared to name.

One of the broadest-based joint ventures bas involved Eaton, the U.S. transmissions manufaclurer, and Iveco following an announcement in 1983 that the two companies would collaborate to develop a range of medium duty transmissions. Already, the range has become a reality, with test units in service ln both the UK and on the Continent.

According to Mr Bob Sculfour, regional manager for the UK and Scandinavia, they will come inlo production ln 1986 and 1987.

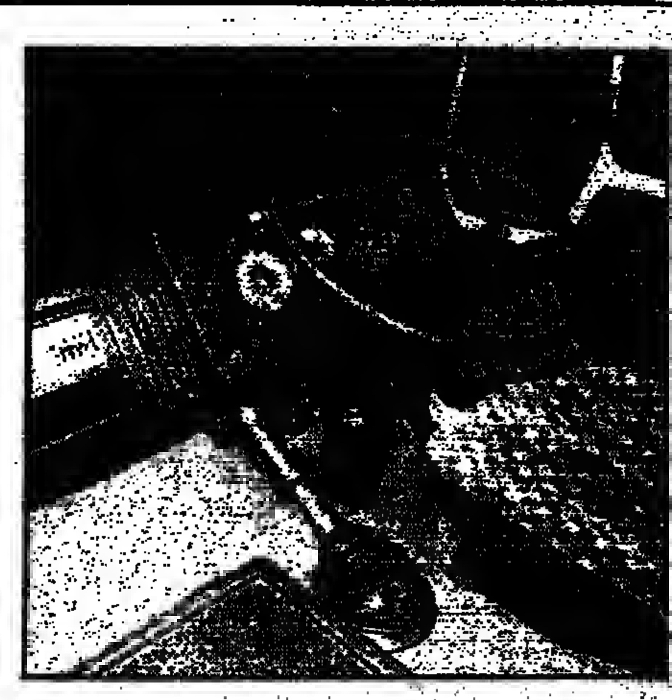
The units will be made at Eaton's Basingstoke plant in the UK and in the U.S., while Iveco will also produce at its Brescia, Italy, plant. Thus if all goes according to plan, Iveco will benefit from ahared development costs and the outlet offered by Ealon's worldwide component supply operations, while Eaton gets the benefit of guaranteed volume through Iveco's own truck production. And the price to other vehicle manufacturers can be lowered as a result of the scale economles.

Similar thinking applles to Iveco's collaboration with Rockwell of tbe U.S., another world-scale components supplier, in the manufacture of truck axles. A joint company, Rockwell-VCC Omevi, is producing them at a plant near Cameri, Italy.

By no means all planned joint ventures have had a happy outcome, however. Leyland Vebicles in the UK had planned jointly with Cummins, the diesel engine maker, to produce a new light truck diesel both for Leyland's use and for sala worldwide.

Investment cutbacks at Leyland, however, meant that last year it had to withdraw from the project. Cummins is now proceeding with development on its own, with production expected in 1986.

John Griffiths



ALTHOUGH new technology has found its way primarily into vital running units of heavy trucks—engines, transmissions and suspension systems—the trend is also visually apparent, especially to the driver.

The Mercedes-Benz cab interior (above) gives an indication of the extent to which new trim materials are being used. Apart from the door window surrounds, painted metal is almost entirely absent. Instead, tough yet light and durable new plastics are employed for fascia panels, steering column surrounds and minor controls.

Plastics have also become acceptable, even by quality-conscious makers like Mercedes, for external cab components such as bumpers, step mouldings and wing valances.

However, truck makers are having to work hard to convince sceptical fleet operators that their longstanding view of plastics as a flimsy, brittle and cheap material needs to be updated.

Technology at the crossroads

THERE WAS a time, observed General Motors' chairman Mr Roger Smith, last year, wben innovation could be carefully phased in. A new technology could be thorougbly developed in one model, and carefully applied across the board.

But, he pointed out, competitive pressures now require new technology to be presented to buyers much fasler, with "profound effects not only on products, but the plants where they are made and the work forces producing them."

From now on, he warned, "if we manufacturers are to succeed—indeed, to survive—the cars and trucks of the future must be state-of-the-art and they must be built in the factory of the future by the work force of the future."

Over the past 12 months, the world's largest vehicle maker putting its funds and resources bas been Increasingly busy in the direction pointed out by Mr Smith.

The acquisition of electronic syslems and data concerns, the signing of a joint venture with a Japanese manufacturer to produce robots in the U.S., the just-announced commitment to the "Saturn" car project whicb, with new manufacturing systems, is intended to allow GM to actually beat the Japanese on costs in the small car sector—all are aimed at ensuring GM's long-term competitiveness at an international level.

And during last year another major component fell into place in GM's strategy to apply to commercial vehicles the "world" approach to models and production already instituted with cars.

As the result of an £8m investment, the design operations of Its Bedford commercial vehicles subsidiary in the UK are now linked directly to the mainframe compnter at Pontiac, Michigan, wbere GM's world truck and bns division—set up over two years ago—is overseeing the deslgn and development of a range of "world" trucks and vans whicb will emerge by 1990.

Key input

Bedford, which bad been responsible for GM's commercial vehicle operations in Europe for some years, is aeen as baving a key input to the design of these products. And while GM considered the £8m so small that lt dld not bother to even include it in its announced investment figures for Bedford facilities, the result is far-reaching.

For the first time, designers a continent apart can "talk" to each other directly and immediately on the product under development. Each design screen at Luton links direct to the UK mainframe compnter; the mainframes are directly linked, and so are the deslgn screens at Pontiac. Time and cost savings, say GM officials, vastly outwelgh the size of the investment.

It represents just one example, bowever, of tbe way in which commercial veblcle producers are ualng new tecbnology in their operations, mucb of lt transferred from lts lnitial applications on cars.

Daimler-Benzs' plant at Woerth, on wbich the company has spent over £300m, provides another example of the cars-to-trucks technology transfer. The plant produces both complete vehicles and cabs. The latter are made on the nnitary principle, under which the same parts can be put together ln different ways to sult a variety of vehicles.

Mucb the same concept has been followed by Leyland Vehicles, in producing tbe C40 cab which is fitted to its T45 range of trucks.

But so fast is technology moving, particularly through the powers provided by computer-aided design, that Leyland Vehicles for example—a relatively small producer in the world context—felt able to ignore its own previously-developed "rationalised" cab concept in producing the unit fitted to its Roadrunner medium truck launched towards the end of alst year.

Front runner

Leyland Vehicles Itself was a front runner in rationalised cabs. When the C40 cab was first conceived in 1973, it was designed so that lt could be put together in various forms to cover a wide spread of truck sizes, and with 65 per cent parts commonality.

But in developing the Roadrunner, which is pltched at 7½ tonne gross vehicle weigbt sector, it felt that a C40 variant (used first for the 32-tonne Roadrunner) would be botb over ideal cost and weight. To bave taken the other obvious option—a cab from a BL van—would bave brought the truck too close to the ground, with poor vislbllity.

On the other hand, to have tooled up for an entirely new cab, it estimated initially, would have cost £4½m — uneconomic for an expected output of 4,000 Roadrunners a year.

In the end, Leyland decided it had to go for a new cab—but used the design computers to come up with a new system to do it. The result, says Bill Lowe, chief engineer for components, cabs and electronics, is an all-new cab, the C44, which cost Leyland £2.2m—or less than the larger C40 cab cost in 1978.

Very large individual pressings were designed, which allow 1,800 welds to finish tho cab compared with 3,200-4,000 which is the industry norm, says Mr Lowe. The simplified design similarly allowed a reduction in the number of welding guns used, to seven from a norm of 25.

This bas gone hand-in-hand with the commlssioning at Leyland of its first robot for chassis component and frame welding. It ts, Leyland stresses, just the first step down the road away from dedicated production equipment to flexible, programmable tooling specifically suited for production in relatively low volumes of a wide range of component types.

Flexible production processes and computer-aided design have already changed out of all recognition the ground rules in car manufacturing, with smaller producers— of ½m or fewer cars a year — now recognised as being able to compete against the large volume manufacturers, particularly if there is sharing of components and joint ventures.

However, a key element in this new-found competitiveness is the ability to provide differentiated products — with particular appeal, say, in styling or performance.

There exists precious little room for such an approach in commercial vehicles, however. In an industry whose customers are primarily concerned about costs, the odds remain stacked against the smaller players, even one using the latest technology.

John Griffiths